

EFFECTIVE DATE: DECEMBER 2, 1983

895251

THE SECURITIES OFFERED FOR SALE THROUGH THIS PROSPECTUS MAY ONLY BE LAWFULLY OFFERED FOR SALE IN THOSE JURISDICTIONS IN WHICH THIS PROSPECTUS HAS BEEN ACCEPTED FOR FILING AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES.

NO SECURITIES COMMISSION OR SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

NEW ISSUE

PROSPECTUS

QUINELLA EXPLORATION LIMITED  
1052 Robson Street  
Vancouver, British Columbia  
V6E 1A7

600,000 COMMON SHARES  
[without par value]  
PRICE \$0.30 PER SHARE

THE COMPANY BY THIS PROSPECTUS OFFERS TO SELL 600,000 COMMON SHARES WITHOUT PAR VALUE AT THE PRICE OF 30 CENTS PER SHARE THROUGH REGISTERED SECURITIES DEALERS SUBJECT TO A COMMISSION OF UP TO SIX CENTS PER SHARE.

| PRICE TO PUBLIC     | COMMISSIONS | PROCEEDS TO COMPANY<br>IF ALL SHARES ARE SOLD |
|---------------------|-------------|---|
| Per Share..... 30¢  | 6¢          | 24¢   |
| Total.....\$180,000 | \$36,000    | \$144,000 *                                   |

\* Less the cost of issue estimated to be \$14,000.

THERE IS NO MARKET FOR THE SHARES OF THE COMPANY. THESE SHARES ARE SPECULATIVE SECURITIES. SEE ITEM "SPECULATIVE ASPECTS" PAGE 13.

THIS OFFERING IS SUBJECT TO A MINIMUM SUBSCRIPTION BEING RECEIVED BY THE COMPANY WITHIN 180 DAYS OF THE EFFECTIVE DATE OF THIS PROSPECTUS. FURTHER PARTICULARS OF THE MINIMUM SUBSCRIPTION ARE DISCLOSED ON PAGE 5 UNDER THE CAPTION "MINIMUM SUBSCRIPTION".

THE SHARES OFFERED BY THIS PROSPECTUS REPRESENT 62.77% OF THE TOTAL NUMBER OF THE SHARES TO BE ISSUED AND OUTSTANDING UPON COMPLETION OF THIS OFFERING AND THE SHARES ISSUED TO PROMOTERS, DIRECTORS AND OTHER INSIDERS FOR CASH AND PROPERTIES REPRESENT 45.59% OF THE TOTAL NUMBER OF SHARES TO BE ISSUED AND OUTSTANDING UPON COMPLETION OF THIS OFFERING.

REGISTRAR AND TRANSFER AGENT:  
THE CANADA TRUST COMPANY  
1055 Dunsmuir Street,  
Vancouver, British Columbia

DATED: 12 SEPTEMBER, 1983.

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**SHARE AND LOAN CAPITAL STRUCTURE - PRIOR SALES - ISSUANCE OF SHARES**

The authorized capital of the Issuer is 20,000,000 common shares without par value. There is only one class of shares and all rank equally as to dividends, voting rights, and participation in assets. The shares are not liable to any further call or assessment.

| <u>DESIGNATION<br/>OF SECURITY</u> | <u>SHARE CAPITAL<br/>AUTHORIZED</u> | <u>OUTSTANDING<br/>AS AT<br/>JUNE<br/>30, 1983</u> | <u>OUTSTANDING<br/>AS OF<br/>THE DATE<br/>HEREOF</u> | <u>OUTSTANDING<br/>ON COMPLETION<br/>OF OFFERING</u> |
|------------------------------------|-------------------------------------|--|--|--|
| Common Shares                      | 20,000,000                          | 1,593,001  | 1,593,001  | 2,193,001  |

The Issuer has sold 843,001 shares for cash to date. Particulars of the shares are as follows:

| <u>NUMBER<br/>OF SHARES</u> | <u>PRICE<br/>PER SHARE</u> | <u>NET CASH<br/>RECEIVED</u> | <u>COMMISSION<br/>PAID</u> |
|-----------------------------|----------------------------|------------------------------|----------------------------|
| 440,000                     | 10¢                        | \$ 44,000                    | NIL                        |
| 403,000                     | 15¢                        | \$ 60,450                    | NIL                        |
| <u>1</u>                    | \$1.00                     | <u>\$ 1</u>                  | NIL                        |
| 843,001                     |                            | \$104,451                    |                            |

### NAME AND INCORPORATION OF ISSUER

The full name of the Issuer is QUINELLA EXPLORATION LIMITED, ("the Issuer"). Its Registered and Records Office is at 1004 - 595 Howe Street, Vancouver, British Columbia. V6C 2T5. Its Head Office is at 1052 Robson Street, Vancouver, British Columbia, V6E 1A7.

The Issuer was incorporated on 7 February, 1979 under the Company Act of the Province of British Columbia as Quinella Oil & Gas Ltd. On 14 February 1983, the Issuer changed its name to Quinella Gold Mines Ltd., and on 15 February 1983 changed its name to Quinella Exploration Ltd. Upon acceptance of this Prospectus for filing by the Superintendent of Brokers office, the Issuer shall be deemed to be a Reporting Company pursuant to the provisions of the Company Act, R.S.B.C. 1979, Chapter 59.

### PLAN OF DISTRIBUTION

The Issuer, by this Prospectus, will offer to sell 600,000 shares through duly registered salesmen or securities dealers registered under the Securities Act of the Province of British Columbia, and will pay a commission of up to 6¢ per share to such persons or companies for each such share sold.

The Issuer reserves the right to accept applications for these shares in whole or in part, and to reject any application and close the subscription book at any time without notice.

All shares previously sold for cash have been voluntarily pooled with The Canada Trust Company subject to release on the following basis:

- [a] 25% shall be released on the day the shares of the Company commence trading on the Vancouver Stock Exchange (the "listing date");
- [b] 25% shall be released three months following the listing date;
- [c] 25% shall be released six months following the listing date;
- [d] The balance shall be released nine months following the listing date.

If the listing date does not occur within 12 months of the date of this Prospectus and the primary distribution under this Prospectus has ceased, then all pooled shares will then be released.

#### USE OF PROCEEDS

The net proceeds to be derived by the Issuer from the sale of the securities being offered hereby is \$144,000 which together with cash on hand of approximately \$6,000 at the date hereof totals \$150,000. The Issuer intends to use the said amount as follows:

- [a] To pay for the cost of this issue including legal, audit and printing \$ 14,000

|     |   |                    |
|-----|---|--------------------|
| [b] | To carry out Stages I and II of the program recommended by L. Sookochoff, P. Eng., in his Report dated 4 June 1983 on the Rock Mineral Claims | \$ 50,000          |
| [c] | To carry out Phase I of a program recommended by John S. Vincent, P.Eng., in his Report dated 12 April 1983 on the Air Mineral Claims         | \$ 65,000          |
| [d] | To provide working capital  | <u>\$ 21,000</u>   |
|     | TOTAL: =  | \$150,000<br>===== |

The Issuer may, pursuant to the written recommendations of a qualified engineer or geologist, abandon in whole or in part its property or may alter, as work progresses, the work program recommended or may make arrangements for the performance of all or any portion of such work by other persons or companies and may use any money so diverted for the purpose of conducting work or examining other properties acquired by the Issuer after the date of this Prospectus, although the Issuer has no present plans in this regard. If any such event occurs during the primary distribution of the shares referred to in this Prospectus, an amendment to this Prospectus will be filed. If any such event occurs subsequent to completion of the primary distribution, shareholders will be notified.

No part of the proceeds shall be used to invest, underwrite or trade in securities other than those that qualify as investments in which trust funds may be invested under the laws of the jurisdiction in which securities offered by this Prospectus may lawfully be sold.

Should the Issuer intend to use the proceeds to acquire other than trustee type securities after the distribution of the securities offered by this Prospectus, approval by the shareholders must first be obtained and notice of the intention filed with the regulatory bodies having jurisdiction over the sale of the securities offered by this Prospectus.

### MINIMUM SUBSCRIPTION

The shares offered by this Prospectus will be sold in British Columbia or in any other jurisdiction in which the shares have been qualified for sale.

The proceeds from the sale of the shares offered and sold hereunder will be deposited with and held in trust by The Canada Trust Company, the Issuer's Registrar and Transfer Agent, until the Issuer has received, after providing for commissions payable, the sum of \$144,000. If the minimum amount of \$144,000 is not raised within 180 days from the date of acceptance for filing of this Prospectus, then all subscriptions for shares held by The Canada Trust Company shall be returned to the subscribers in full. If the minimum amount is raised within the required period, the Vancouver Stock Exchange listing fee will be held in trust by The Canada Trust Company to be used for that purpose.

### DESCRIPTION OF BUSINESS AND PROPERTY OF ISSUER

The Issuer is a company presently engaged in searching for and developing mining properties.

#### ROCK MINERAL CLAIMS - Greenwood Mining Division, B. C.

Pursuant to an Agreement dated 13 April 1983 between the Issuer and Melvin Yen of 2104 West 57th Avenue, Vancouver, British Columbia, the Issuer acquired the following Mineral Claims ("the Rock claims"):

| <u>Claim Name</u> | <u>Record Number</u> |
|-------------------|----------------------|
| Rock 2            | 3498                 |
| Rock 3            | 3499                 |
| Anita             | 3520                 |
| Old Kentucky      | 3463                 |

In consideration for the Rock claims the Issuer paid Yen \$9,500 (representing reimbursement for his acquisition costs) and issued 750,000 shares in the capital of the Issuer as fully paid and non-assessable at a deemed price of \$0.01 per share. The 750,000 shares were allotted and issued as follows:

MELVIN YEN.....250,000 shares  
LARRY RALPH WILSON SOSTAD.....250,000 shares  
ARTHUR FREDERICK ROBERTS.....250,000 shares

Melvin Yen is a director and the Secretary of the Issuer; Larry Ralph Wilson Sostad is a director and President of the Issuer; and Arthur Frederick Roberts is a director of the Issuer. All three individuals are promoters of the Issuer.

The Rock claims are located 32 km south of Beaverdell and 12 km northeast of Camp McKinney and 14 km north of Rock Creek in central southern British Columbia.

Rock Creek is the nearest commercial centre, 453 km east of Vancouver and 100 km east of Penticton and 144 km west of Castlegar. Access from Rock Creek is for 18 km northward via Highway 33 to the Conkle Lake road branching off to the west at a distance of one km, a secondary road branches off to the south.

The history of the mineral claims centres around the Old Kentucky Claim on which bulldozer and rock trenches and diamond drilling was carried out. The period of this exploration work being carried out is not known. Although, claims within the Camp McKinney area were periodically worked from 1903 to 1962 when gold-silver ore was shipped to the Trail smelter.



For a more detailed description of the geology and mineralization with respect to the Rock claims reference is made to the Report of L. Sookochoff, P. Eng., dated 4 June, 1983, which is attached hereto.

The Issuer has carried out an exploration program consisting of geophysical, geochemical and geological surveys at a cost of \$19,000.

As a result of the work done on the Rock claims by the Issuer, six major geophysical and geochemical anomalous areas were disclosed and as a result, a four-stage follow-up exploration program of detailed and additional geophysical, geochemical and geological surveys have been recommended. The first two stages of the program are estimated to cost \$50,000.

There is no ore body on the Rock claims and the proposed program represents an exploratory search for ore. No underground or surface plant is located on the Rock claims, other than the workings contained on the Old Kentucky Claim as described in the aforementioned Report.

AIR MINERAL CLAIMS - Slocan Mining Division, British Columbia

The Issuer acquired the Air #1 and Air #2 mineral claims ("the Air claims"), record numbers 85782 and 85783, situated in the Slocan Mining Division, British Columbia, pursuant to an Agreement dated 3 February 1983 with Alfred E. Angus and Craig A. Angus of 12474 Crescent Road, Surrey, British Columbia.

In consideration for the Air claims the Issuer paid \$16,000.

The Air claims are located on the north fork of Shannon Creek in the Ruby Range approximately 7 miles west of the north end of Slocan Lake, 18 miles southeast of Nakusp, British Columbia. The area is accessible along a logging road which leaves Highway 6 approximately 9 miles to the east near the top end of Slocan Lake. The main road follows the Shannon Creek valley and a branch road runs up the north fork to the Air claims.

The Air claims were staked in August, 1982, around two surveyed mineral claims owned by Alex Strebchuk, as a result of a staking rush developed over the 1982 field season as a result of a high grade gold discovery in 1981 by Esperanza Explorations Ltd. on Tillicum Mountain, 10 miles southwest of Shannon Creek. In the Fall of 1982 an airborne survey was flown over the area including the Air claims, the results of which are contained in the report of Glen E. White, P. Eng.

Mineral discovery in the area dates back to the turn of the century and the general area has maintained a fluctuating level of activity since that time.

For a more detailed description of the geology and mineralization with respect to the Air claims, reference is made to the report of John S. Vincent, P.Eng., dated April 12, 1983 which is attached hereto.

The Air claims are underlined by a sequence argillaceous and volcanic rocks which have the potential to host precious metal mineralization similar to that found on Tillicum Mountain. The combination of sedimentary and volcanic rocks indicate a geologic environment conducive to the concentration of precious metals.

The high-grade silver mineralization discovered along the contact with the quartz porphyry suggests that mineralizing hydrothermal solutions accompanied the intrusive activity. Geologic mapping and rock geochemistry will be required to evaluate hydrothermal overprinting away from the contact zone. As a result, John S. Vincent, P.Eng., has recommended a two-phase work program at an estimated cost of \$65,000.

There is no ore body on the Air claims and the proposed program represents an exploratory search for ore. No underground or surface plant is located on the Air claims, other than an adit as described in the aforementioned Report.

#### THE FUDD NO. 5 CLAIM - Lillooet Mining Division

In March, 1983, the Company staked the Fudd No. 5 mineral claim situated in the Lillooet Mining Division, tag number 85979 at a cost of \$5,000. The Fudd claim was staked as a result of a reference to the area contained in the 1935 B.C. Minister of Mines Report.

At the date hereof, the Company does not intend to carry out an exploration program on the Fudd claim.

#### PROMOTERS

Under the definition of "Promoter" contained in Section 2 of the Securities Act of the Province of British Columbia, the persons listed below may be considered the Promoters of the Company in that they took the initiative in founding the Company, but have received no consideration in the form of cash, shares or otherwise from the Company for so acting.

Shares were issued to them for property and cash at 10¢ and 15¢ per share as follows:

|                           | <u>FOR CASH</u> | <u>FOR PROPERTIES</u> |
|---------------------------|-----------------|-----------------------|
| LARRY RALPH WILSON SOSTAD | 100,000         | 250,000               |
| MELVIN YEN                | 100,000         | 250,000               |
| ARTHUR FREDERICK ROBERTS  | 50,000          | 250,000               |

Reference is made to "Description of Business and Property of Issuer" for transactions involving the Promoter.

#### DIRECTORS and OFFICERS

| <u>NAME, ADDRESS AND POSITION<br/>WITH THE COMPANY</u>  | <u>O C C U P A T I O N S<br/>FOR PAST FIVE YEARS</u>          |
|---|---|
| LARRY RALPH WILSON SOSTAD<br>837 Frair Crescent<br>North Vancouver, B. C.<br>PRESIDENT/DIRECTOR | Prospector; Director,<br>Goldrich Resources Inc.              |
| MELVIN YEN<br>2104 West 57th Avenue<br>Vancouver, B. C.<br>SECRETARY/DIRECTOR                   | Retail Grocer, 1966 to<br>present.                            |
| ARTHUR FREDERICK ROBERTS<br>8120 Fairbrook Crescent<br>Richmond, B.C.<br>DIRECTOR               | Self-employed Consulting<br>Mining Engineer, 1970 to<br>date. |

### REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration has been paid to Directors or Senior Officers of the Issuer from the date of incorporation to the date of this Prospectus.

### CONFLICTS OF INTEREST

The directors of the Issuer, who are also directors and officers of other reporting companies which are engaged in natural resource exploration and development. Thus conflicts of interest may arise which could influence the directors in evaluating possible acquisitions on behalf of the Issuer or generally in acting on behalf of the Issuer, notwithstanding that they are bound by the provisions of the British Columbia Company Act to act at all times in good faith and in the interests of the Issuer. Persons considering the purchase of securities pursuant to this Prospectus must appreciate that they will be required to rely on the judgment and good faith of the directors in resolving such conflicts of interest as may arise.

### SPECULATIVE ASPECTS

Mineral exploration and development is inherently speculative and carries with it many risks that even the most careful evaluation and management cannot overcome. There is no assurance that any production will be obtained. If production is obtained prices received are subject to market fluctuations.

No survey has been made of the located mineral claims in which the Company has an interest and in accordance with the mining laws of the jurisdiction in which the claims are situate, their precise location and area may be in doubt.

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations and other conditions are involved. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Company's financial position.

### ESCROWED SHARES

As of the date of this Prospectus 750,000 shares are held in escrow by The Canada Trust Company, 1055 Dunsmuir Street, Vancouver, British Columbia, subject to the direction or determination of the British Columbia Superintendent of Brokers [the "Superintendent"].

The escrow restrictions provide that the shares may not be traded in, dealt with in any manner whatsoever, or released, nor may the Issuer, its Transfer Agent or escrow holder, make any transfer or record any trading of the shares without the consent of the Superintendent of Brokers.

If the Issuer loses or abandons or fails to obtain title to all or part of the property or assets for which it allotted all or part of the escrowed shares, the Issuer will declare any such event to the Superintendent or Exchange by way of directors' resolution and the holders of such shares, the trustee thereof and the Issuer have agreed that such number of shares as the Superintendent or Exchange determines shall then become subject to cancellation, shall be surrendered to the Issuer by way of gift for cancellation. The complete text of the Escrow Agreement is available for inspection at the Issuer's registered office at 1004 - 595 Howe Street, Vancouver, British Columbia, Canada V6C 2T5.

| <u>DESIGNATION OF CLASS</u> | <u>NUMBER OF SHARES<br/>HELD IN ESCROW</u> | <u>PERCENTAGE<br/>OF CLASS</u> |
|-----------------------------|--|--------------------------------|
| Common Shares               | 750,000                                    | 34.19%                         |

**PRINCIPAL HOLDERS OF SHARES**

As at the date of this Prospectus, the following hold of record or beneficially, directly or indirectly, more than 10% of the issued shares of the Company:

| <u>NAME AND ADDRESS</u>  | <u>DESIG-<br/>NATION<br/>OF<br/>CLASS</u> | <u>TYPE OF<br/>OWNERSHIP</u> | <u>NUMBER<br/>OF<br/>SHARES<br/>OWNED</u> | <u>PER-<br/>CENTAGE<br/>OF<br/>CLASS</u> |
|--|---|------------------------------|---|--|
| Melvin Yen<br>2104 West 57th Ave.<br>Vancouver, B.C.                         | Common                                    | Beneficial<br>and Direct     | 350,000                                   | 15.95%                                   |
| Larry Ralph Wilson<br>Sostad<br>837 Frair Crescent<br>North Vancouver, B. C. | Common                                    | Beneficial<br>and Direct     | 350,000                                   | 15.95%                                   |
| Arthur Frederick<br>Roberts<br>8120 Fairbrook Cr.<br>Richmond, B. C.         | Common                                    | Beneficial<br>and Direct     | 300,000                                   | 13.67%                                   |

The following table shows the respective percentage holdings of the Directors and Senior Officers of the Issuer as a group:

| <u>DESIGNATION OF CLASS</u> | <u>NO. OF SHARES</u> | <u>PERCENTAGE OF CLASS</u> |
|-----------------------------|----------------------|----------------------------|
| Common Shares               | 1,000,000            | 62.77%                     |

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

See the heading "Description of Business and Property of Issuer" for shares issued by the Issuer to Melvin Yen, a Director and Promoter of the Issuer for the Rock Claims.

#### **AUDITORS, TRANSFER AGENTS AND REGISTRARS**

The Auditors of the Issuer are Doane Raymond, Chartered Accountants, 1009 - 736 Granville Street, Vancouver, British Columbia. The Registrar and Transfer Agent of the Issuer is The Canada Trust Company, 1055 Dunsmuir Street, Vancouver, British Columbia.

#### **MATERIAL CONTRACTS - OTHER MATERIAL FACTS**

There are no material contracts entered into by the Company other than as disclosed in this Prospectus.

Material contracts may be inspected at the records office of the Issuer, 1004 - 595 Burrard Street, Vancouver, British Columbia, V6C 2T5, during normal business hours, during the period of primary distribution of the securities being offered under this Prospectus.



STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Sections 60 and 61 of the Securities Act, provides in effect, that where a security is offered to the public in the course of primary distribution:

- (a) a Purchaser has a right to rescind a contract for the purchase of a security while still the owner thereof if a copy of the last Prospectus, together with Financial Statements and Reports and Summaries of Reports relating to the securities as filed with the Superintendent of Brokers were not delivered to him or his Agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written Notice of Intention to commence an action for rescission must be served on the person who contracted to sell within sixty (60) days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three (3) months from the date of service of such notice;
  
- (b) a Purchaser has the right to rescind a contract for the purchase of such security while still the owner thereof if the Prospectus or any amended Prospectus offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of circumstances in which it was made, but no action to enforce this right can be commenced by a Purchaser after expiration of ninety (90) days from the later of the date of such contract or the date on which such Prospectus or amended Prospectus is received or is deemed to be received by him or his Agent.

Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

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QUINELLA EXPLORATION LIMITED

VANCOUVER, BRITISH COLUMBIA

FINANCIAL STATEMENTS

JUNE 30, 1983

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**Doane Raymond**

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AUDITORS' REPORT

To the Shareholders of Quinella Exploration Limited

We have examined the balance sheet of Quinella Exploration Limited as at June 30, 1979 through 1983 and the statements of deferred expenditures, and changes in financial position for the five years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at June 30, 1979 through 1983 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Vancouver, British Columbia

August 4, 1983.



Chartered Accountants

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**Doane Raymond**

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QUINELLA EXPLORATION LIMITED

BALANCE SHEET

JUNE 30, 1983

|  | <u>1983</u>       | <u>1982</u>      | <u>1981</u>      | <u>1980</u>      | <u>1979</u>      |
|--|-------------------|------------------|------------------|------------------|------------------|
| <u>ASSETS</u>                          |                   |                  |                  |                  |                  |
| Current                                |                   |                  |                  |                  |                  |
| Cash                                   | \$ 7,298          | \$ 236           | \$19,682         | \$31,853         | \$ 3,970         |
| Advance receivable (Note 3)            | 33,552            | 42,000           | 23,000           | 10,900           | 10,450           |
| Prepaid expense                        | 401               | -                | -                | -                | -                |
|  | <u>41,251</u>     | <u>42,236</u>    | <u>42,682</u>    | <u>42,753</u>    | <u>14,420</u>    |
| Interest in mineral claims<br>(Note 4) | 38,985            | -                | -                | -                | -                |
| Deferred expenditures (Note 2)         | 33,254            | 2,304            | 1,558            | 1,187            | 802              |
| Incorporation expense                  | 661               | 661              | 661              | 661              | 661              |
|  | <u>\$ 114,151</u> | <u>\$ 45,201</u> | <u>\$ 44,901</u> | <u>\$ 44,601</u> | <u>\$ 15,883</u> |
| <u>LIABILITY</u>                       |                   |                  |                  |                  |                  |
| Payables and accruals                  | \$ 2,200          | \$ 1,200         | \$ 900           | \$ 600           | \$ 300           |
| <u>SHAREHOLDERS' EQUITY</u>            |                   |                  |                  |                  |                  |
| Capital stock (Note 5)                 | 111,951           | 44,001           | 44,001           | 44,001           | 15,583           |
|  | <u>\$ 114,151</u> | <u>\$ 45,201</u> | <u>\$ 44,901</u> | <u>\$ 44,601</u> | <u>\$ 15,583</u> |

ON BEHALF OF THE BOARD

*Doane Raymond*  
*A. F. Robert*

**Doane Raymond**

QUINELLA EXPLORATION LIMITED

STATEMENT OF DEFERRED EXPENDITURES

JUNE 30, 1983

|                             | <u>Years Ended June 30,</u> |                 |                 | <u>February 7<br/>to June 30,</u> |               |
|-----------------------------|-----------------------------|-----------------|-----------------|-----------------------------------|---------------|
|                             | <u>1983</u>                 | <u>1982</u>     | <u>1981</u>     | <u>1980</u>                       | <u>1979</u>   |
| Exploration expenditures    |                             |                 |                 |                                   |               |
| Engineering reports         |                             |                 |                 |                                   |               |
| AIR claims                  | \$ 5,022                    | \$ -            | \$ -            | \$ -                              | \$ -          |
| Rock 2 & 3 claims           | 19,000                      | -               | -               | -                                 | -             |
|                             | <u>24,002</u>               | <u>-</u>        | <u>-</u>        | <u>-</u>                          | <u>-</u>      |
| Administration expenditures |                             |                 |                 |                                   |               |
| Accounting and audit        | 1,000                       | 300             | 300             | 300                               | 300           |
| Donations                   | 952                         | -               | -               | -                                 | 200           |
| Insurance                   | 34                          | -               | -               | -                                 | -             |
| Legal and filing charges    | 1,217                       | -               | 71              | 85                                | -             |
| Office and sundry           | 2,280                       | 446             | -               | -                                 | 302           |
| Rent                        | 1,150                       | -               | -               | -                                 | -             |
| Utilities and sundry        | 295                         | -               | -               | -                                 | -             |
|                             | <u>6,928</u>                | <u>746</u>      | <u>371</u>      | <u>385</u>                        | <u>802</u>    |
| Administration expenditures |                             |                 |                 |                                   |               |
| Balance beginning of year   | 2,304                       | 1,558           | 1,187           | 802                               | -             |
| Balance end of year         | <u>9,232</u>                | <u>2,304</u>    | <u>1,558</u>    | <u>1,187</u>                      | <u>802</u>    |
| Deferred expenditures       | <u>\$ 33,254</u>            | <u>\$ 2,304</u> | <u>\$ 1,558</u> | <u>\$ 1,287</u>                   | <u>\$ 802</u> |

**Doane Raymond**

QUINELLA EXPLORATION LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

JUNE 30, 1983

|  | <u>Year Ended June 30</u> |                 |                 | <u>February 7<br/>To June 30,</u> |                 |
|--|---------------------------|-----------------|-----------------|-----------------------------------|-----------------|
|  | <u>1983</u>               | <u>1982</u>     | <u>1981</u>     | <u>1980</u>                       | <u>1979</u>     |
| Funds provided by                      |                           |                 |                 |                                   |                 |
| Issue of shares                        |                           |                 |                 |                                   |                 |
| - for cash                             | \$60,450                  | \$ -            | \$ -            | \$28,418                          | \$15,583        |
| - for mineral claims                   | <u>7,500</u>              | <u>-</u>        | <u>-</u>        | <u>-</u>                          | <u>-</u>        |
|  | <u>67,950</u>             | <u>-</u>        | <u>-</u>        | <u>28,418</u>                     | <u>15,583</u>   |
| Funds applied to                       |                           |                 |                 |                                   |                 |
| Incorporation costs                    | -                         | -               | -               | -                                 | 661             |
| Deferred expenditures                  | 30,950                    | 746             | 371             | 385                               | 802             |
| Interest in mineral claims             | <u>38,985</u>             | <u>-</u>        | <u>-</u>        | <u>-</u>                          | <u>-</u>        |
|  | <u>69,935</u>             | <u>746</u>      | <u>371</u>      | <u>385</u>                        | <u>1,463</u>    |
| Increase (Decrease) in working capital | (1,985)                   | (746)           | (371)           | 28,033                            | 14,120          |
| Working capital, beginning of year     | <u>41,036</u>             | <u>41,782</u>   | <u>42,153</u>   | <u>14,120</u>                     | <u>-</u>        |
| Working capital, end of year           | <u>\$39,051</u>           | <u>\$41,036</u> | <u>\$41,782</u> | <u>\$42,153</u>                   | <u>\$14,120</u> |

QUINELLA EXPLORATION LIMITED

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1983

1. Incorporation

The company was incorporated on February 7, 1979 under the name of Quinella Oil & Gas Ltd. On February 14, 1983 the company's name was changed to Quinella Gold Mines Ltd. On February 15, 1983 the company's name was changed to Quinella Exploration Limited.

2. Accounting policy

Deferred costs

The company is in the development stage and has established a policy of deferring all costs relating to exploration projects, including related administration costs, until such time as the projects are put into commercial production, abandoned or sold.

Values

The amounts shown for mineral claims and deferred costs represents costs to date and do not necessarily reflect present or future values.

3. Advance receivable

The advance receivable is non-interest bearing with no set terms of repayment. On July 27, 1983 the \$10,000 of the advance was repaid while the remainder was repaid on November 8, 1983.

4. Mineral claims

Mineral claims located in the Greenwood Mining Division of British Columbia known as the Rock 2 & 3, Anita and Old Kentucky Reverted Crown Grant

|  |               |
|--|---------------|
| Escrow shares issued - 750,000 at a price of 1¢ each | \$ 7,500      |
| Cash expended  | <u>10,485</u> |

17,985

One mineral claim located near Duffey Lake in the Lillooett Mining Division of British Columbia known as the FUDD 5 claim

|               |              |
|---------------|--------------|
| Cash expended | <u>5,000</u> |
|---------------|--------------|

2 mineral claims AIR 1 and AIR 2, consisting of 32 units, located near Shannon Creek in the Slocan Mining Division of British Columbia

|               |               |
|---------------|---------------|
| Cash expended | <u>16,000</u> |
|---------------|---------------|

\$ 38,985

**Doane Raymond**



QUINELLA EXPLORATION LIMITEDNOTES TO FINANCIAL STATEMENTSJUNE 30, 1983

## 5. Capital stock

## Authorized

20,000,000 shares without par value

The company increased its authorized capital from 10,000,000 shares without par value to 20,000,000 shares without par value on January 21, 1983.

## Issued and outstanding

|                                      | <u>1983</u>      | <u>1982</u>     | <u>1981</u>      | <u>1980</u>     | <u>1979</u>     |
|--------------------------------------|------------------|-----------------|------------------|-----------------|-----------------|
| 1 share for \$1.00 cash each \$      | 1                | \$ 1            | \$ 1             | \$ 1            | \$ 1            |
| 155,823 shares for \$.10 cash each   | 15,582           | 15,582          | 15,582           | 15,582          | 15,582          |
| 284,177 shares for \$.10 cash each   | 28,418           | 28,418          | 28,418           | 28,418          | -               |
| 403,000 shares for \$.15 cash each   | 60,450           | -               | -                | -               | -               |
| 750,000 escrow shares for \$.01 each | 7,500            | -               | -                | -               | -               |
| <u>1,593,001</u> shares              | <u>\$111,951</u> | <u>\$44,001</u> | <u>\$ 44,001</u> | <u>\$44,001</u> | <u>\$15,583</u> |

The 750,000 escrow shares are subject to an escrow agreement which requires Regulatory Approval for any changes.

## 6. Losses for tax purposes

The loss-carry-forward for income tax purposes amounts to \$9,232. The tax benefits related to this loss-carry-forward have not been recognized in the financial statements and expire by 1988.

## 7. Related party transactions

The mineral properties in the Greenwood Mining Division of British Columbia (Note 3) were acquired from a director for consideration equal to his cost plus 750,000 escrow shares.

Interim Exploration Report

for

QUINELLA EXPLORATION LTD.

on the

ROCK MINERAL CLAIMS

(QUINELLA PROPERTY)

Greenwood M.D.

N.T.S. 82E 3E

June 4, 1983  
Vancouver, B.C.

L. Sookochoff, P.Eng.  
Consulting Geologist

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Interim Exploration Report

for

QUINELLA EXPLORATION LTD.

on the

ROCK MINERAL CLAIMS

(QUINELLA PROPERTY)

PART A

SUMMARY

The Rock mineral claims are located 32 km south of Beaverdell and 12 km northeast of Camp McKinney where placer gold and lode gold deposits were worked since 1894 and where one property has produced \$1,000,000 in gold from 1894 to 1903. Camp McKinney claims were periodically explored since 1903 with active exploration in 1982 and reported encouraging results in an area of sedimentary rocks and greenstones.

The Rock mineral claims are indicated to predominantly cover the Kettle River formation of acidic tuffs, sediments including shales which in other areas are known to include small plugs of porphyritic rhyolite which apparently mark volcanic vent zones. The Anarchist group which hosts the Camp McKinney deposits also occurs on the property in addition to an intrusive.

An exploration program consisting of geophysical, geochemical and geological surveys completed over the property by Quinella Exploration Ltd. during May 1983 disclosed six major geophysical and geochemical correlative anomalous areas, two of which - A and B - are adjacent and prime exploration areas. The two zones cover an area of 700 by 350 meters and include the Old Kentucky workings situated on a former crown granted mineral claim.

Geological mapping and sampling by Hall in the recent exploration program disclosed quartz veining and related sulphides hosted by mafic volcanic rocks with quartz feldspar porphyry in the immediate area. Samples of the quartz-sulphide zones returned assays up to 0.04 oz Au/ton, 0.058 oz Ag/ton, and 0.56% Zn across 1.0 meters.

### CONCLUSIONS

The Rock and included mineral claims of the Quinella property occur in a geologically favorable area for the occurrences of economic gold-silver zones comparable to those at Camp McKinney. The geological indications on the Quinella property have been determined to contain similarities in the mafic volcanic rocks hosting quartz and/or carbonate veins with related sulphides.

In addition to the known mineralization on the property which has been delineated by correlative geochemical anomalies in the recent exploration program, the other prime anomalous areas that have been outlined may reflect more significant mineral zones.

The correlative anomalous areas in which perimeter E.M. anomalies occur would be of greater significance in that the anomalies may reflect the sheared contact between volcanic and sedimentary units. This contact zone would be prime exploration area should a porphyrite gold deposit be sought.

Secondly of interest would be E.M. anomalous zones with an adjacent minor geochem anomalies as anomaly "G" where a mineral zone may be expressed however in a heavily overburdened area.

The controlling structure to the zones is northeasterly-southwesterly with possible north-south secondary structures as indicated at the Old Kentucky workings and more so in the geochemical-geophysical anomalous expression.

RECOMMENDATIONS

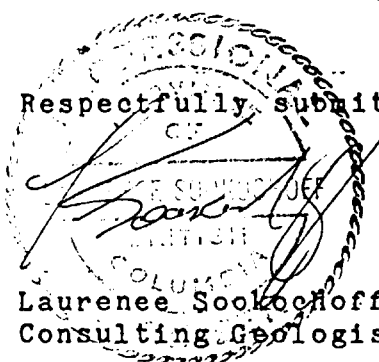
It is recommended that a four stage follow-up exploration program of detailed and additional reconnaissance geophysical, geochemical and geological surveys be initiated.

The reconnaissance surveys would be carried out in the west-northwestern sector of the property to explore for additional northeasterly trending zones containing coincident geochemical anomalous areas.

The detailed surveys would be over the six correlative areas as indicated to locate prime target areas for trenching, sampling and/or diamond drill testing.

It is also recommended that Quinella Exploration Ltd. allocate \$25,000 to initiate and execute the first stage of the recommended exploration program.

Respectfully submitted.



Laurenee Sookchoff, P. Eng.  
Consulting Geologist

June 4, 1983  
Vancouver, B.C.

Interim Exploration Report

for

QUINELLA EXPLORATION LTD.

on the

ROCK MINERAL CLAIMS

PART B

INTRODUCTION

During May 1983 a mineral exploration program consisting of a magnetometer and E.M. Survey in conjunction with geochemical and geological surveys were carried out on the Rock mineral claims.

The exploration program on the property was initiated on the basis of a recommendation in a letter report dated April 11, 1983.

The information for this report was obtained from pertinent information as cited under bibliography, from a property examination carried out on April 25, 1983 from B.V. Hall who carried out the geological mapping and sampling, and from the supervision of the exploration program.

PROPERTY

The property consists of four contiguous claims one of which is a reverted crown grant. Particulars are as follows:

| <u>Claim Name</u> | <u>Unit</u> | <u>Record No.</u> | <u>Expiry Date</u> |
|-------------------|-------------|-------------------|--------------------|
| Rock 2            | 15          | 3498              | February 18, 1984  |
| Rock 3            | 15          | 3499              | February 18, 1984  |
| Anita             | 30          | 3520              | February 23, 1984  |
| Old Kentucky      |             | 3463              | February 7, 1984   |

Due to the overlapping of the Anita on the Rock claims and the inclusion of the Old Kentucky claim, the property consists of an effective area of 30 units or 750 hectares.

As the exact location of the Old Kentucky and Jo Dandy claims were not located in the field but were only plotted from claim and topo maps, their location is considered approximate.

Any legal aspects pertaining to the claim is beyond the scope of this report.

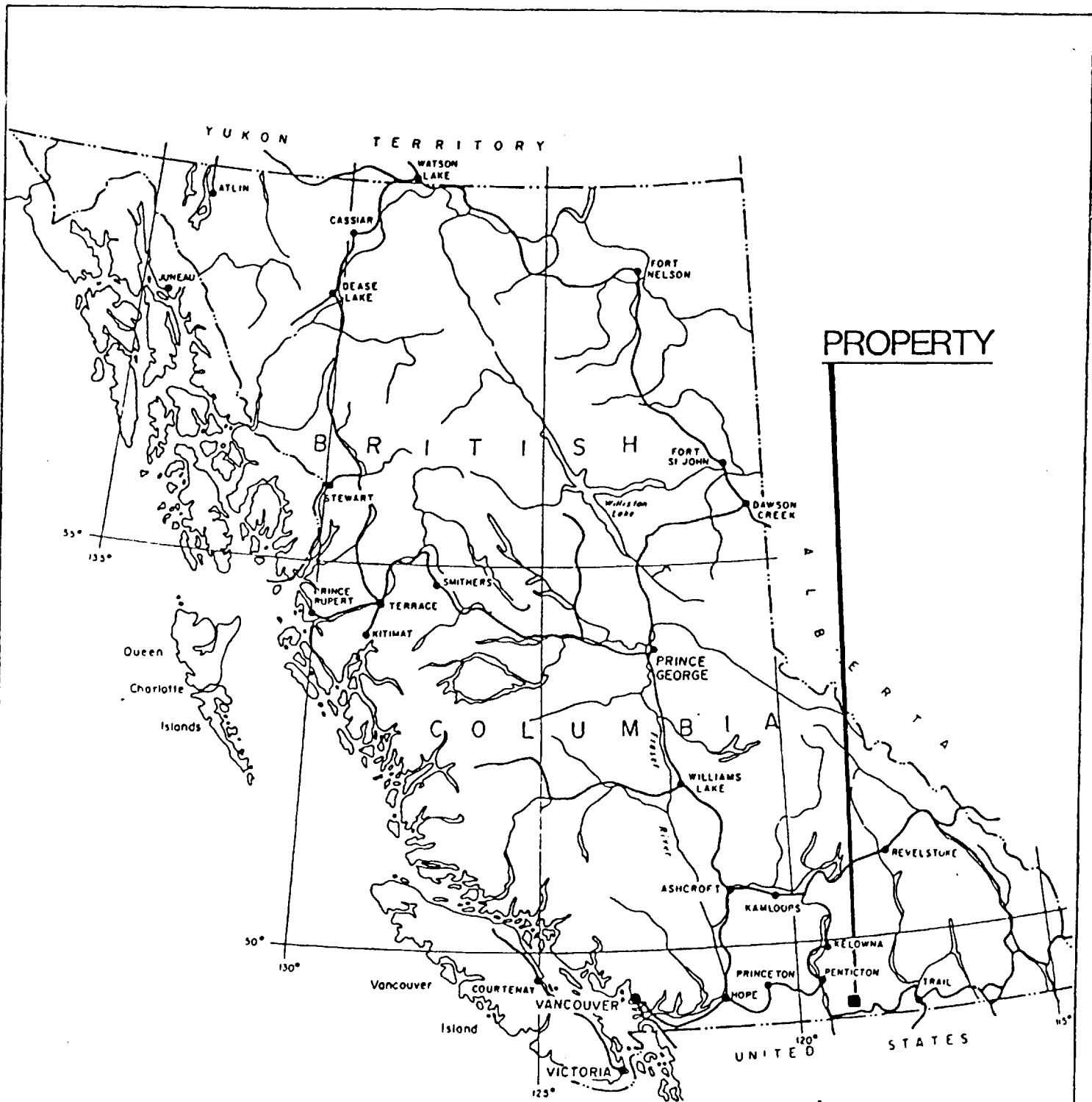
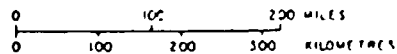


FIGURE 1



PAN AMERICAN CONSULTANTS LTD.

QUINELLA EXPLORATION LTD.  
 ROCK CLAIMS  
 PROPERTY LOCATION MAP



N.T.S. 82E/3E — GREENWOOD M.D., B.C.

|       |         |          |      |
|-------|---------|----------|------|
| DRAWN | PROJECT | DATE     | FIG. |
|       |         | MAY 1983 | 1    |



LOCATION AND ACCESS (49° 11'N, 119° 01'W)

The property is located 32 km south of Beaverdell, 12 km northeast of Camp McKinney and 14 km north of Rock Creek within map sheet 82E 3E in central southern British Columbia.

Rock Creek, the nearest commercial centre is 453 km east of Vancouver and 100 km east of Penticton and 144 km west of Castlegar, two major centres which are served daily by Pacific Western Airlines.

Access from Rock Creek is for 18 km northward via Highway 33 through Westbridge to the Conkle Lake road branching off to the west. At a distance of one km, a secondary road branches off to the south. The Anita legal corner post is two km to the south.

PHYSIOGRAPHY AND CLIMATE

The property covers an area of moderate to steep forested slopes arising from a north south valley along the east at an elevation of 760 meters. Elevations at the height of land along the central western boundary are up to 1375 meters.

The general climate of the area would allow a snow free surface exploration program of up to nine months of the year at the lower elevations.

WATER AND POWER

Sufficient water for all phases of the exploration season would be available from tributaries of Conkle Creek to the north or Ed James Creek to the south which extend on to the property.

Diesel-electric power would be initially required for the exploration and development program. A major transmission line is within two km to the south with a natural gas pipeline 11 km to the south.

### HISTORY

Claims within Camp McKinney were periodically worked from 1903 to 1962 when gold-silver ore was shipped to the Trail smelter, and thereafter. McKinney Resources Inc. presently holds many of the old crown granted mineral claims of Camp McKinney with further exploration work reported to be continued in 1983.

The history of the immediate area centers around the placer deposits of McKinney Creek and the mines at Camp McKinney, 12 km southwest.

Camp McKinney was one of the early lode gold camps of British Columbia with one property, the Cariboo, producing over \$1,000,000 in gold largely between 1894 and 1903. A number of other properties were developed but none of these produced important amounts of ore.

On the Jo Dandy crown grant (L 2120) which is enveloped by but not included in the Quinella property, work completed prior to 1927 included shaft and two crosscut tunnels which were driven to explore a schist bearing gold-silver-lead-zinc mineralization.

The history of the Quinella property centres around the Old Kentucky claim on which bulldozer and rock trenches and diamond drilling was carried out. The period that this exploration work was completed on the individuals or companies that performed the work is not known.

## GEOLOGY AND MINERALIZATION

The general geology of the area is of predominantly the Permian Anarchist Group overlain by minor localized areas of the Cenozoic Kettle River Formation and to a greater extent, and the youngest rocks of the area, the Phoenix volcanic group. The Cretaceous Nelson Plutonic Rocks intrude the Anarchist group as stocks or plugs which are also overlain by the Kettle River and Phoenix groups.

The Anarchist group in the Camp McKinney area consists very largely of highly metamorphosed sedimentary rocks but includes also altered greenstones and possibly also altered intrusive rocks. The sedimentary members of the group are the altered equivalents of quartzite, slate and limestone, micaceous quartzites, mica schists, and crystalline limestone. The sheared greenstones possibly represent both intrusive and extrusive types.

A second group of rocks within the Anarchist series are light grey, granitic rocks, quite generally gneissic, the outcrops of which have in some cases a slightly rusty appearance. Quartz and microcline predominate with orthoclase and albitic-oligoclase generally present. These granitic rocks are intrusive into the schists of the Anarchist series.

Another group of rocks within the Anarchist series consists of sheared basic intrusives which can in local areas be represented as serpentine with considerable pyrite development in association with shear zones.

Feldspar porphyry "dykes" are also common in the area. The rock is described as a "pale pink to flesh colored, fine grained rock with granitic texture. Quartz is fairly common and feldspar, shreds of biotite, hornblende, small individuals of apatite and some iron ore make up the balance of the rock."

The Kettle River formation consists of acidic tuff and local basins of conglomerate and sandstone. In the general Rock Creek area southeast of Camp McKinney "small plugs of porphyritic rhyolite with quartz phenocrysts apparently mark the vents from which some of the acidic tuff was emitted.

The Phoenix volcanic group which overlies the Kettle River formation consists mainly of andesitic and trachytic lavas, but locally contains interbedded sediments.

The gold bearing mineral zones at Camp McKinney are mainly of quartz veins occurring in the schists of the Anarchist series and in general paralleling the strike and dip of the schistosity. The quartz veins are mineralized with pyrite accompanied by galena and zinc blende and carry in places good values in gold. With only pyrite in the veins, the gold values are low.

South of Camp McKinney, gold mineralization is associated with shear zones within volcanic rocks with little or no quartz. The zones are "from 3 to 4 feet wide" and are impregnated with considerable amounts of ankeritic carbonates. Abundant pyrite is disseminated throughout the rock in the vicinity of the shear zones.

Placer gold has been derived from the creeks in the Camp McKinney area - the more significant ones being McKinney and Rock Creeks.

On the Jo Dandy (L 2120) enveloped by the Quinella property, the geology and mineralization is described in the 1927 Minister of Mines Report as:

... "The rock in which this work has been done is a highly metamorphosed schist of unknown age. An intrusive porhyry dyke cuts this formation on the west flank about 100 feet from the shaft. As far as can be seen, the schists continue for half a mile to the east and for a mile north and south. The strike of this schist is about north and south (mag.) with a dip of 20 to the west. Samples of this ore taken from different parts of the upper and lower tunnel assayed from a trace to 0.05 oz in gold to the ton; from 1.4 to 1.9 oz in silver to the ton; from 4 to 10 per cent in lead; and from 2 to 11 per cent in zinc. The size of the veins, etc. appear to vary from 1/2 to 24 inches. Owing to the highly metamorphosed and consequent serpentization of the schista and ore bodies, it is almost impossible to distinguish the difference between ore and waste..."

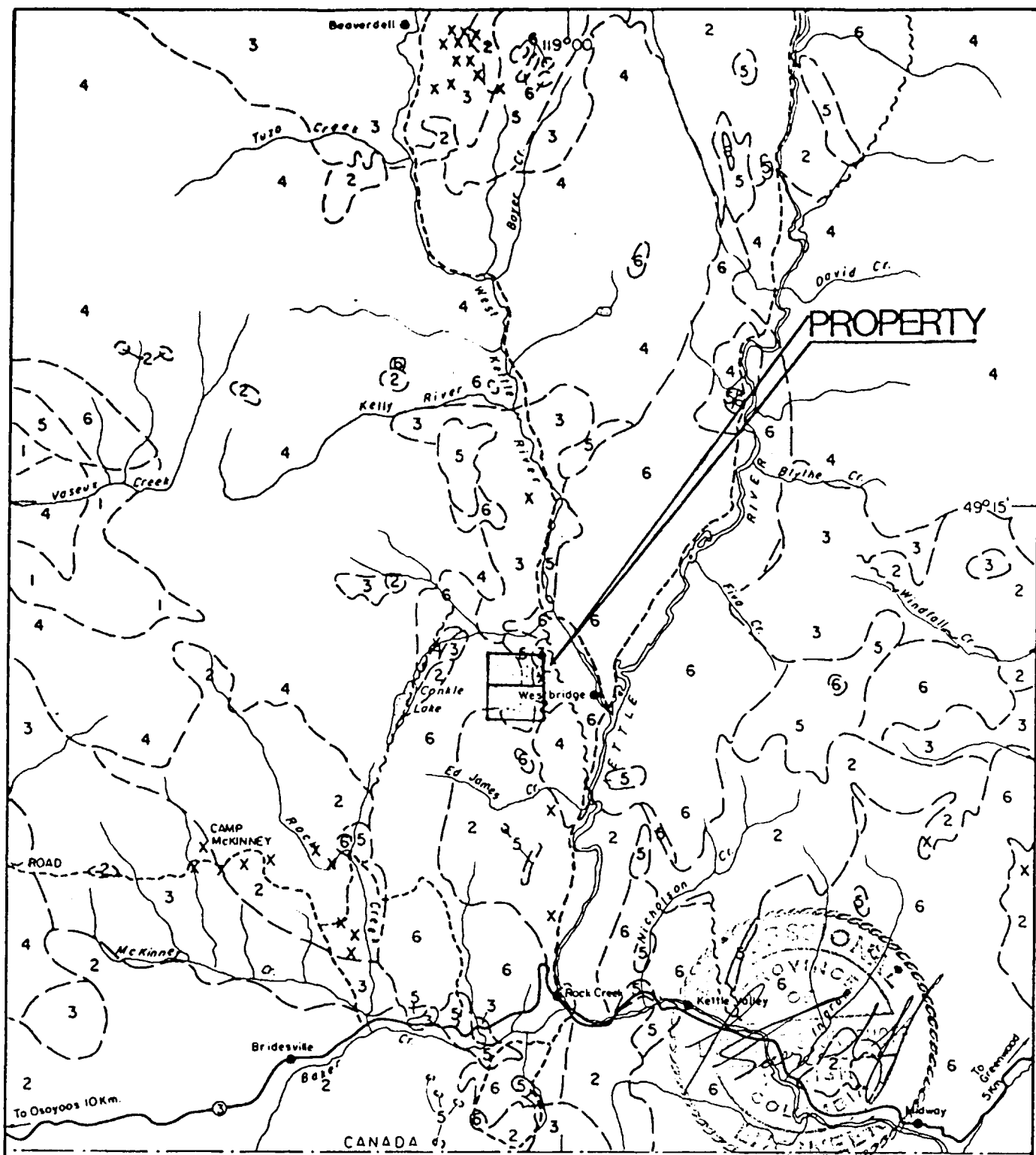


FIGURE 2

LEGEND

- 6 ANDESITE, TRACHYTE, MINOR BASALT
- 5 KETTLE RIVER FORMATION
- 4 VALHALLA PLUTONIC ROCKS
- 3 NELSON PLUTONIC ROCKS
- 2 ANARCHIST GROUP
- 1 MONASHEE GROUP
- X MINERAL OCCURRENCES

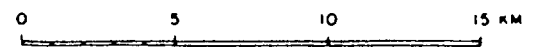


PAN AMERICAN CONSULTANTS LTD.

**QUINELLA EXPLORATION LTD**

Rock Claims Greenwood M.D.  
**GEOLOGY & CLAIM MAP**

N.T.S. 82E/3E



SCALE 1:250,000

May 1983

The Quinella property as indicated from Map 15-1961 Kettle River Geology West Half, is underlain predominantly by the Kettle River formation in contact with the Anarchist group to the east and a local intrusive in the northwest corner.

The geology and mineralization of the Old Kentucky workings is described by Hall in an appended report.

#### RESULTS OF THE 1983 EXPLORATION PROGRAM

The results of the geochemical, geophysical and geological surveys completed by Quinella Exploration Ltd. during May 1983 are indicated in the accompanying maps 4 to 12. In figure 11 the anomalous areas are indicated and represented in correlative form. The results of the surveys have indicated six prime exploration areas. These areas as cross referenced to Figure 11 are:

"A" Anomalous area A contains correlative anomalies over an area of 250 by 150 meters and which includes the former workings of the Old Kentucky claim. The general anomalies over this area include, Pb and zinc with more localized anomalies of Ag in the western portion (workings area) and Ag and As in the eastern portion.

"B" Anomalous area B contains correlative anomalies over an area 450 meters long (northeasterly) by one to three hundred meters wide. The correlative anomalies are of Pb, Ag Zn in one section overlapping southwestward to Ag Zn and As with an included E.M. anomaly eastward to a central Zn and Sb and adjacent to the east to a localized Ag, Zn As and Pb flanked by an eastern E.M. anomalous zone.

The 450 meter long anomaly is also flanked by an intermittent en echelon E.M. anomalous zone to the west.

- "C" A northerly trending zone of 75 meters by 250 meters. The correlative is of As, Sb and Ag in the north with Ag and Sb in the south.
- "D" A northeasterly trending Ag one in the central south 900 meters along strike from the main zone "A" correlative As in the northern part flanked by a mag high with As and Sb in the southern section.
- "E" A 250 meter northerly trending zone 400 meters along strike from anomaly "A" with correlative Ag and As in addition to a flanking E.M. anomaly to the east.
- "F" A localized general Ag, Pb, As anomalous area in the southwestern corner of the property within and bounded by a magnetometer high.
- "G" A localized Ag and Zn anomaly 400 meters south of Anomaly "B". A flanking E.M. anomaly to the east extends as a prime and secondary anomaly for 1,500 meters through the surveyed area.

The results of the geological mapping are herein appended in a report by B.V. Hall who carried out the geological survey.

A- northeasterly trending controlling structure which generally correlates with the magnetic north described in the Minister of Mines 1927 report, is indicated from the exploration results. The controlling mineral structure could possibly occur within schists or shear zones conformable to bedding or sedimentary-volcanic contacts. however additional field work would be required to provide the necessary interpretive information.

RECOMMENDED EXPLORATION AND DEVELOPMENT PROGRAM

It is recommended that the follow-up exploration program on the Quinella property be carried out in the four stages in the areas as designated on the accompanying compilation map (Figure 11) in addition to recce surveys over unexplored areas. The first stage would consist of detailed geophysical and geochemical surveys to delineate prime target areas for trenching, mapping and sampling. Recce geological mapping should also be completed in areas peripheral to anomalous zones.

The second stage would consist of trenching, mapping and sampling in association with localized I P (resistivity) surveys to test for favorable zone extensions.

Stages III and IV would consist of test and fill-in diamond drilling.

ESTIMATED COST OF RECOMMENDED EXPLORATION PROGRAM

Stage I (recce and detailed)

|                                       |  |              |
|---------------------------------------|--|--------------|
| Geochemical survey 800 samples @ \$17 |  | \$ 13,600    |
| E.M. and magnetometer survey allow    |  | 4,000        |
| Geological survey                     |  | 4,000        |
| Engineering and supervision           |  | 3,000        |
| Contingencies                         |  | <u>1,400</u> |
|                                       |  | \$ 25,000    |

Stage II

|                      |       |              |
|----------------------|-------|--------------|
| Trenching            | allow | \$ 15,000    |
| Mapping and sampling | allow | 3,000        |
| I.P. Survey          | allow | 5,000        |
| Contingencies        |       | <u>2,000</u> |
|                      |       | \$ 25,000    |

Stage III

Test Diamond drilling 250 meters @ \$100/meter \$ 25,000



Stage IV

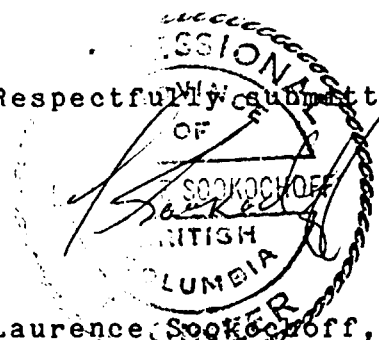
Diamond drilling allow \$ 25,000

Estimated cost of four stage program \$100,000

Stages II to IV would only be initiated on favorable results of completed stages.

It is estimated Stage I would take two months to complete.

Respectfully submitted,



Laurence Sookchoff, P.Eng.  
Consulting Geologist

June 4, 1983  
Vancouver, B.C.

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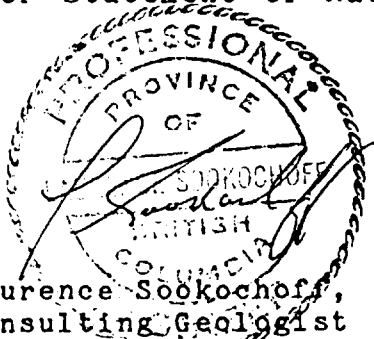
CERTIFICATE

I, Laurence Sookochoff, of the City of Vancouver, in the Province of British Columbia, do hereby certify:

That I am a Consulting Geologist with the firm of Pan-American Consultants Ltd. of 1406-1055 West Georgia Street, Vancouver, B.C.

I further certify that:

1. I am a graduate of the University of British Columbia (1966) and hold a B.Sc. degree in Geology.
2. I have been practising my profession for the past seventeen years.
3. I am registered with the Association of Professional Engineers of British Columbia.
4. The information for this report was obtained from sources as cited under bibliography, from the supervision of the exploration program reported on herein and from a property examination carried out on April 25, 1983.
5. Neither I or Pan-American has direct or indirect interest in the property described herein nor in the securities of Quinella Exploration Ltd.
6. This report may be utilized by Quinella Exploration Ltd. for inclusion in a Prospectus or Statement of Material Facts for financing purposes.



Laurence Sookochoff, P.Eng.  
Consulting Geologist

June 4, 1983  
Vancouver, B.C.

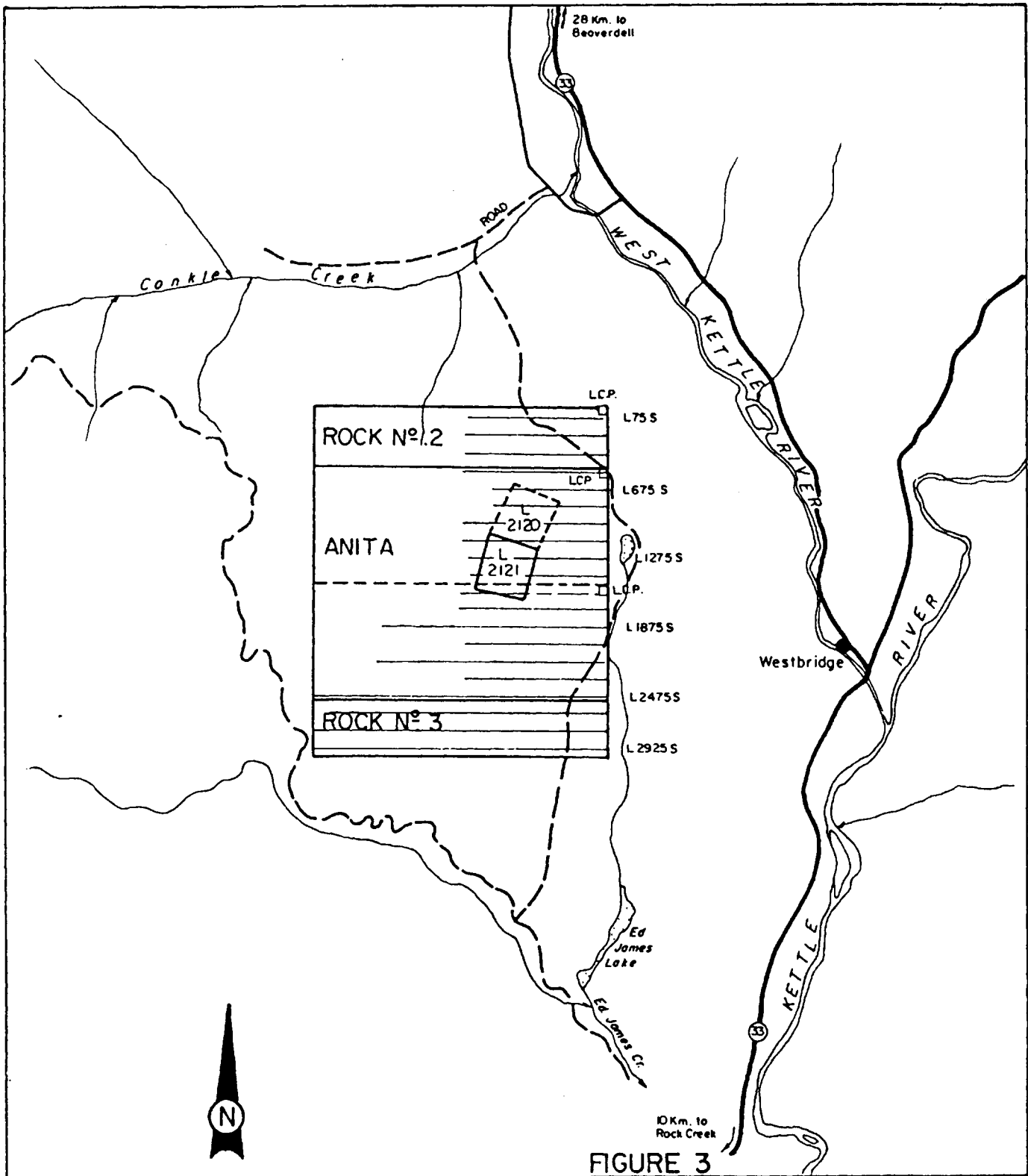
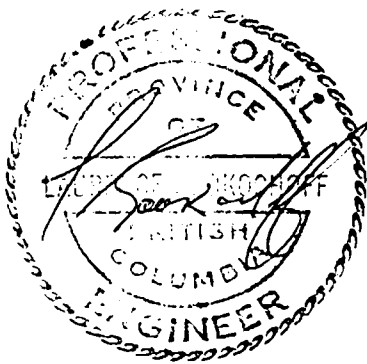


FIGURE 3

PAN AMERICAN CONSULTANTS LTD.  
 QUINELLA EXPLORATION LTD.  
**CLAIM & INDEX MAP**  
 ROCK CLAIMS  
 N.T.S. 82E / 3E  
 GREENWOOD M.D., B.C.

0 1 2 3 KM  
 SCALE 1:50,000  
 MAY 1983



B.V. Hall  
115-1999 Nelson Street  
Vancouver, B.C.  
V6C 1N4

June 3, 1983

Quinella Exploration Ltd.  
10th Floor 595 Howe Street  
Vancouver, B.C.

Attention: The Board of Directors,  
Quinella Exploration Ltd.

Dear Sirs:

Subject: Geological examination of the Old Kentucky  
showing, Kettle River area, British Columbia

Based upon Geological Survey of Canada mapping (Little, 1961), lithologic similarities and the presence of a metamorphic foliation, the Old Kentucky showing appears to be hosted in the Upper Paleozoic Anarchist formation. Mafic volcanic rocks dominate the immediate showing area, consisting of amygdaloidal flows and possible pyroclastic equivalents, (see map and appendix 1). Also included in the immediate showing area are two outcrops of a quartz-feldspar porphyry (outcrops 3 and 7), which based upon grain size and structural relationships may represent subvolcanic intrusives. However, the possibility exists; the quartz-feldspar porphyry may represent a cenozoic volcanic event which is represented regionally by andesites and trachytes, (Little, 1961).

Bedding was not observed in the showing area, however a metamorphic foliation is present in outcrops 4, 5 and 6 which appears to mimic the general trend of the rock units. This foliation was not observed in the quartz-feldspar porphyry or the amygdaloidal volcanic flows.

The sulphides in the showing area are for the most part hosted in siliceous zones consisting of veins, veinlets or silicified patches. The most pronounced development of quartz veining occurs in the two trenches, (outcrops 4 and 6) although siliceous zones carrying minor sulphides are present in outcrop 5. In the two trenches the siliceous zones range in the thickness up to 2.0m thick and in general parallel the foliation. Internally the quartz veins are ribboned suggesting a multistage mineralizing event. Brecciation preceded or accompanied the quartz veining in outcrops 5 and 6 as indicated by the inclusion of angular volcanic clasts in the quartz veins.

Based upon significant differences in mineralogy between the east and west trenches, plus the spatial relationship between the trenches, two vein systems appear to be present. Beginning with the gangue mineralogy the west trench is characterized by quartz, whereas in the east trench calcite is present in amounts up to 50% in addition to quartz. Pyrite is the dominant sulphide in both trenches, however, the east trench only contains 1-3%, whereas the west trench contains up to 50% over intervals up to 10 cm thick. Visible sphalerite occurs only in the west trench, up to 5% over small intervals, (see assay

Quinella Exploration Ltd.  
June 3, 1983  
Page Two

samples D and E) and minor amounts of galena were noted in both trenches. Malachite staining was observed on a few samples in the rubble pile down-slope of the west trench.

The assay results were for the most part discouraging with the exception of samples D, E and F which contained some significant Ag values (Appendix 2). Samples D and E, taken from the same vein system were also of interest for Au and Zn, 0.04 oz/ton Au and up to 0.56% Zn for sample D. Samples A, B and C appear to have been taken to the hanging wall of the vein system and represent background values. The remaining samples (D through J) all represent values significantly above background for Cu, Pb and Zn.

Enough geologic similarities exist between the Old Kentucky showing and the Jo Dandy showing located approximately 500 m to the north that a common origin can be ascribed to both (Caines, 1937). Also the possibility of finding other mineral occurrences similar to the Old Kentucky or Jo Dandy is enhanced by their similar mode of occurrence and geographical proximity.

Respectfully submitted,

*B.V. Hall*

B.V. Hall, M.Sc.

REFERENCES:

Caines, C.E. 1937. Mineral deposits of the west half of the Kettle River area, British Columbia, Geological Survey of Canada, Paper 37-21.

Little, H.W. 1961. Geology of the Kettle River Mapsheet (west half). Geological Survey of Canada, Map 15-1961.

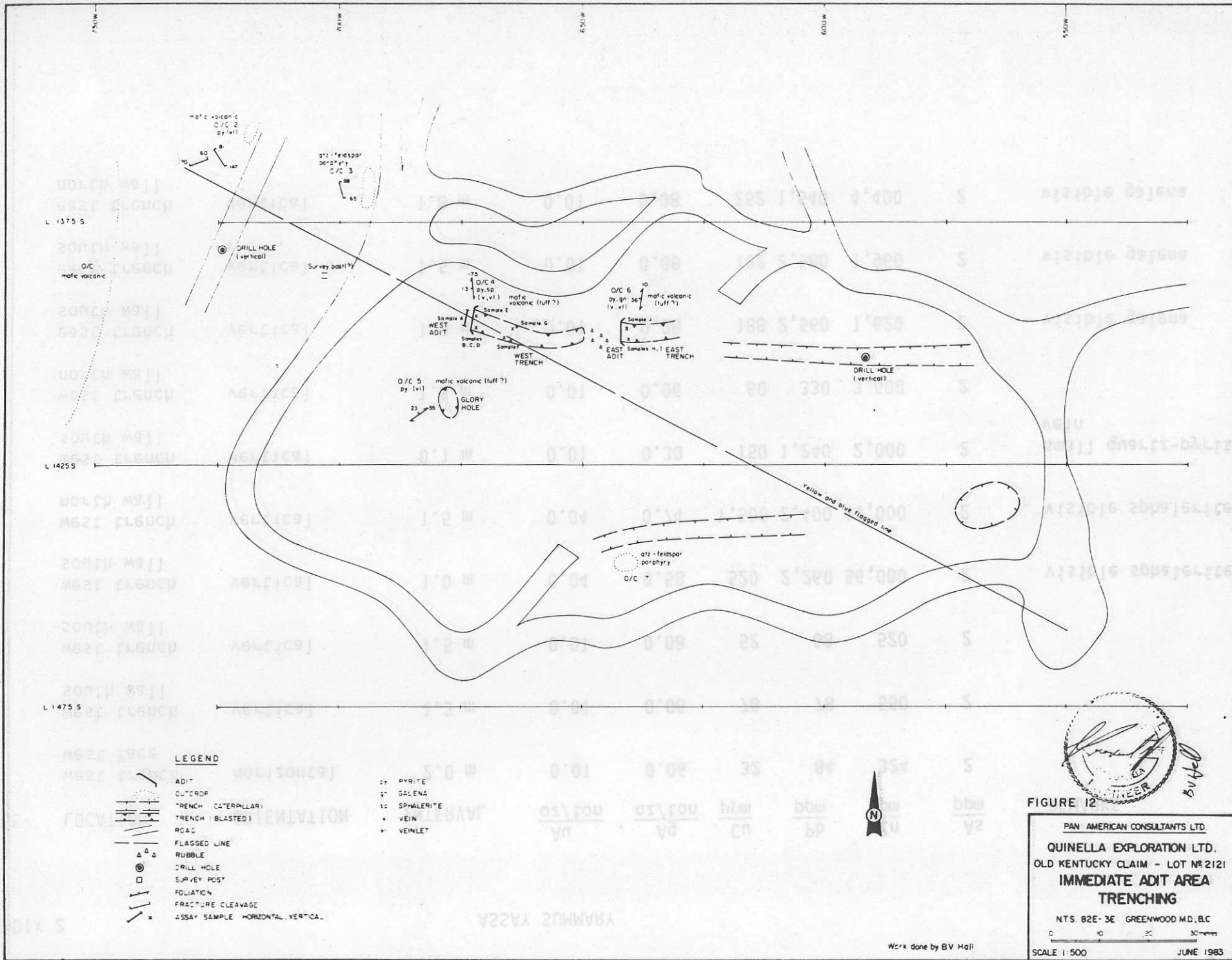
- O/C 1 Located 40 m west of L1375 S, 650 W. Dark green volcanic rock, massive minor calcite veining, calcareous matrix.
- O/C 2 Located 20 m north of L1375 S, 650 W. Dark green volcanic rock, amygdaloidal, calcareous matrix, chlorite along fractures. Trace py (less than 1%) in veinlets. Fracture cleavage 147/81N and 70/60N.
- O/C 3 Located 10 m north of L1375 S, 700 W. Quartz-feldspar porphyry, pale green in colour, abundant phenocrysts (approx. 30%) up to 4 mm in diameter, lacks the foliation present in O/C 4, 5 and 6. Possibly an intrusive (dyke or subvolcanic sill).
- O/C 4 Located at the entrance to the west adit. Fine-grained dark green mafic volcanic, possibly a tuff due to the pronounced foliation, very chloritic. Abundant siliceous zones up to 2.0 m thick paralleling the foliation and consisting of subparallel and randomly orientated quartz-pyrite-sphalerite veins and veinlets. Up to 50% pyrite over intervals less than 10 cm.
- O/C 5 Glory hole, located approximately 10 m north of L1425 S, 675 W. Fine grained mafic volcanic, possibly a tuff, similar to O/C 4 and 6, very chloritic. Abundant siliceous zones randomly set throughout rock, possibly as a result of brecciation, minor disseminated pyrite (less than 1%).
- O/C 6 Located in the immediate vicinity of east adit. Fine-grained mafic volcanic, dark green in colour, possibly a tuff. Very chloritic and similar to O/C 4 and 5. Over small sections this rock has been brecciated, with later quartz flooding now surrounding the volcanic clasts. In the brecciated zones pyrite (1-3%) occurs as disseminated grains or fine veinlets. Also present is a zone of quartz-carbonate veining. The veins are ribboned, paralleling the foliation and carry up to 1% galena.
- O/C 7 Located approximately 20 m south of L1425 S, 650 W. Quartz-feldspar porphyry, pale green in colour, abundant phenocrysts of quartz and potassium feldspar (approx. 30%) up to 5 mm in diameter. Similar to O/C 3, possibly an intrusive (dyke or subvolcanic sill).



## APPENDIX 2

## ASSAY SUMMARY

| SAMPLE | LOCATION                  | ORIENTATION | INTERVAL | Au<br>oz/ton | Ag<br>oz/ton | Cu<br>µgm | Pb<br>ppm | Zn<br>ppm | As<br>ppm | REMARKS                     |
|--------|---------------------------|-------------|----------|--------------|--------------|-----------|-----------|-----------|-----------|-----------------------------|
| A      | west trench<br>west face  | horizontal  | 2.0 m    | 0.01         | 0.06         | 32        | 84        | 324       | 2         |                             |
| B      | west trench<br>south wall | vertical    | 1.3 m    | 0.01         | 0.06         | 78        | 78        | 550       | 2         |                             |
| C      | west trench<br>south wall | vertical    | 1.5 m    | 0.01         | 0.08         | 52        | 68        | 520       | 2         |                             |
| D      | west trench<br>south wall | vertical    | 1.0 m    | 0.04         | 0.58         | 520       | 2,260     | 56,000    | 2         | visible sphalerite          |
| E      | west trench<br>north wall | vertical    | 1.5 m    | 0.04         | 0.74         | 1,500     | 2,400     | 41,000    | 2         | visible sphalerite          |
| F      | west trench<br>south wall | vertical    | 0.1 m    | 0.01         | 0.30         | 150       | 1,240     | 2,000     | 2         | small quartz-pyrite<br>vein |
| G      | west trench<br>north wall | vertical    | 1.8 m    | 0.01         | 0.06         | 60        | 330       | 3,600     | 2         |                             |
| H      | east trench<br>south wall | vertical    | 1.8 m    | 0.01         | 0.08         | 188       | 2,560     | 1,620     | 2         | visible galena              |
| I      | east trench<br>south wall | vertical    | 1.5 m    | 0.01         | 0.08         | 102       | 2,580     | 1,960     | 2         | visible galena              |
| J      | east trench<br>north wall | vertical    | 1.8 m    | 0.01         | 0.08         | 252       | 1,640     | 4,400     | 2         | visible galena              |



**LEGEND**

- ADIT
- OUTCROP
- TRENCH (CATERPILLAR)
- TRENCH (BLASTED)
- ROAD
- FLAGGED LINE
- RUBBLE
- DRILL HOLE
- SURVEY POST
- FOLIATION
- FRACTURE CLEAVAGE
- ASSAY SAMPLE HORIZONTAL VERTICAL

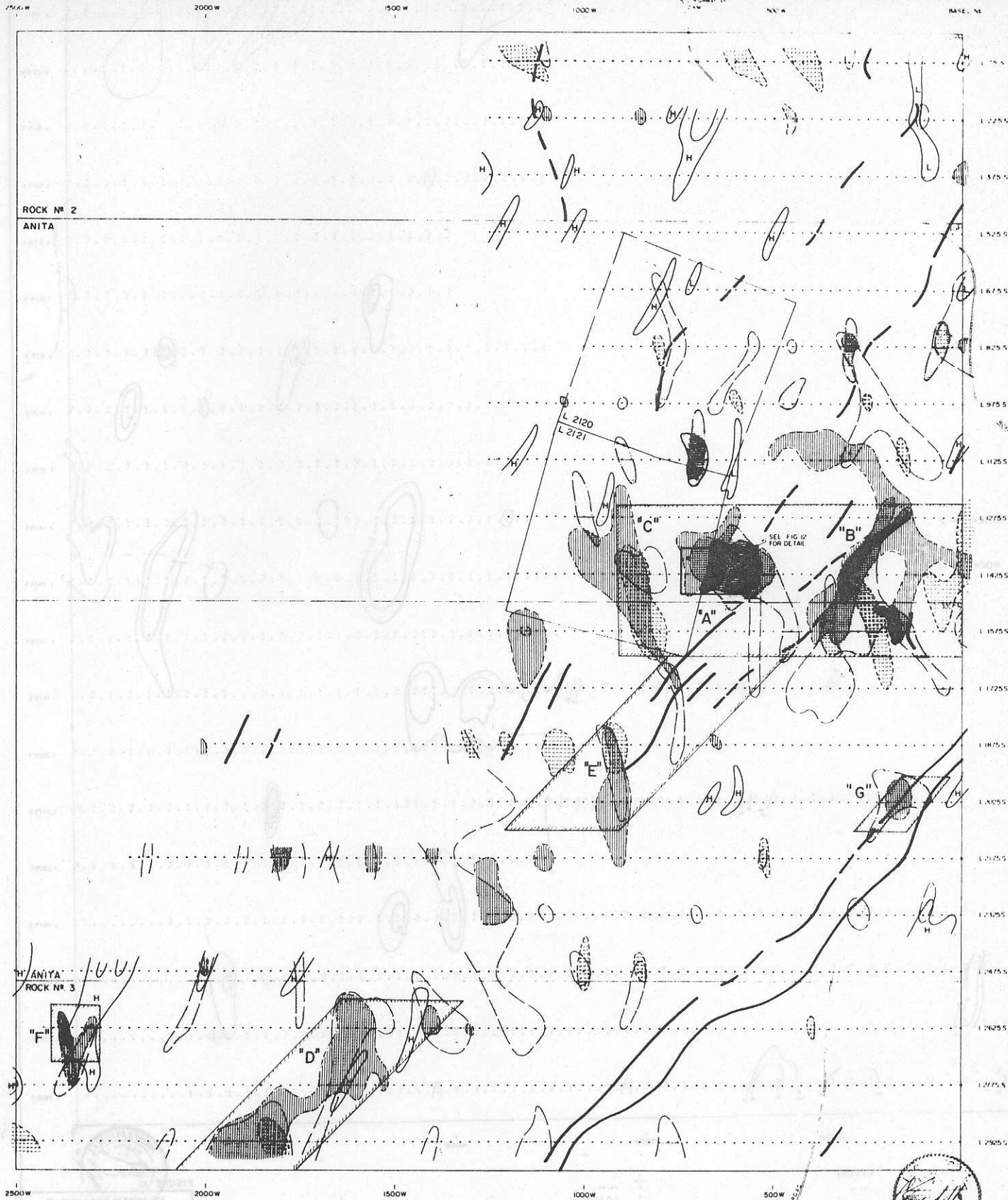
- py PYRITE
- sp SPHALERITE
- v VEIN
- ve VEINLET



**FIGURE 12**

PAN AMERICAN CONSULTANTS LTD.  
 QUINELLA EXPLORATION LTD.  
 OLD KENTUCKY CLAIM - LOT NO 2121  
**IMMEDIATE ADIT AREA**  
**TRENCHING**  
 N.T.S. 82E-3E GREENWOOD M.D., B.C.  
 SCALE 1:500 JUNE 1983

Work done by BV Hall



ROCK Nº 2  
ANITA

ROCK Nº 3  
ANITA

L 2120  
L 2121

SEE FIG 12  
FOR DETAIL

**LEGEND**

| STATION        | DESCRIPTION |
|----------------|-------------|
| PA             | ANOMALOUS   |
| Z-             |             |
| A <sub>1</sub> |             |
| A <sub>2</sub> |             |
| A <sub>3</sub> |             |
| A <sub>4</sub> |             |
| A <sub>5</sub> |             |

- VLF EM CONDUCTOR ANOMALY (EARTH RESISTIVITY)
- MAGNETIC HIGH - LOW
- AREA OF PRIMARY FOLLOW UP EXPLORATION

**FIGURE 11**

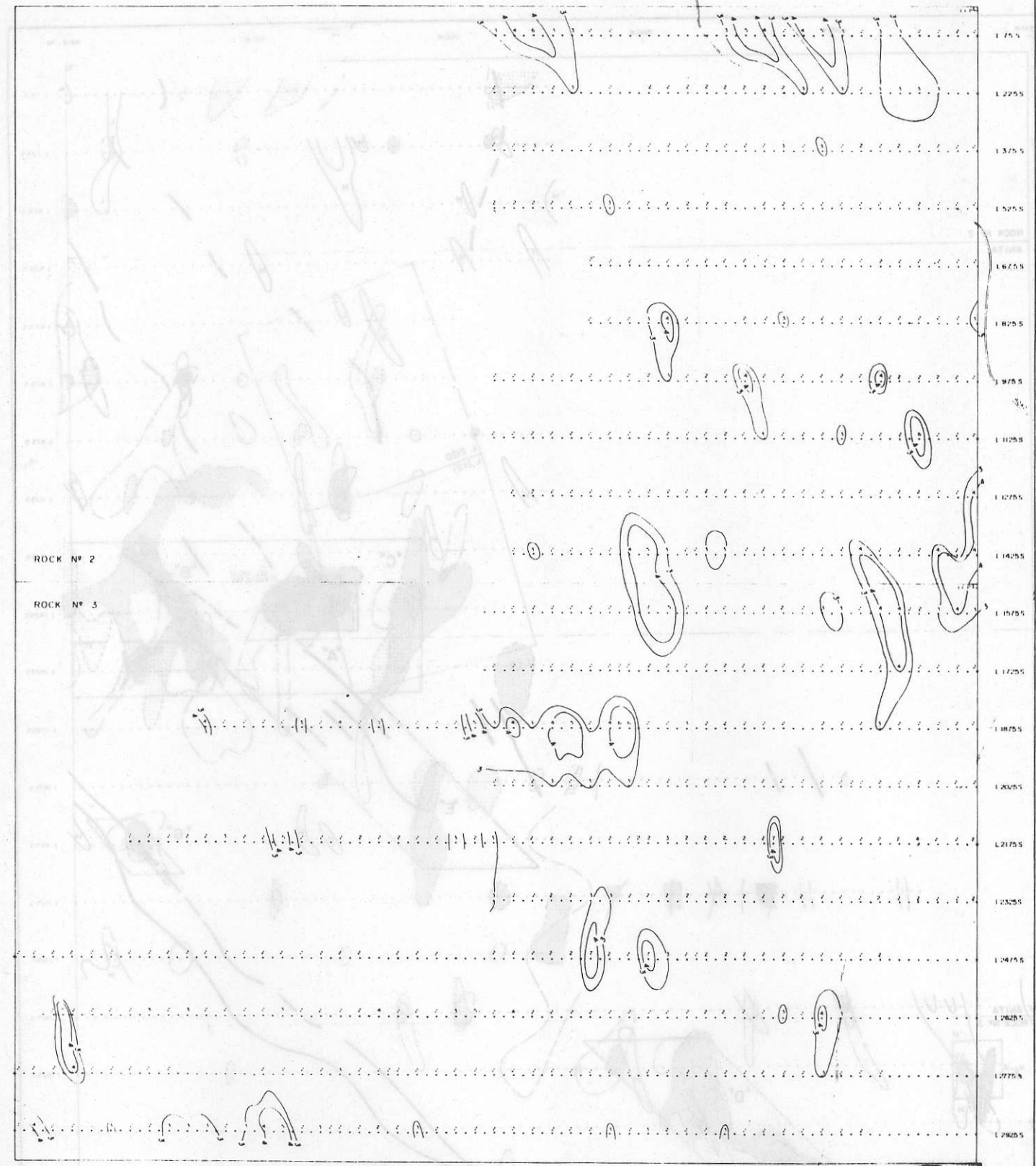
PAN AMERICAN CONSULTANTS LTD.  
 QUINELLA EXPLORATION LTD.  
**COMPILATION MAP**  
 ROCK CLAIMS  
 NTS 82E/3E  
 GREENWOOD M.D., B.C.

SCALE 1:5000

MAY 1983

TO ACCOMPANY REPORT BY I. SKORCHOFF, P. ENG., MAY 1983

2500W 2000W 1500W 1000W 500W BASELINE



ROCK Nº 2

ROCK Nº 3

LEGEND

- 10' ON
- 50' ON

- 4 ANIMULUS
- 3 SUB ANIMULUS
- 2 BACKBULUNE



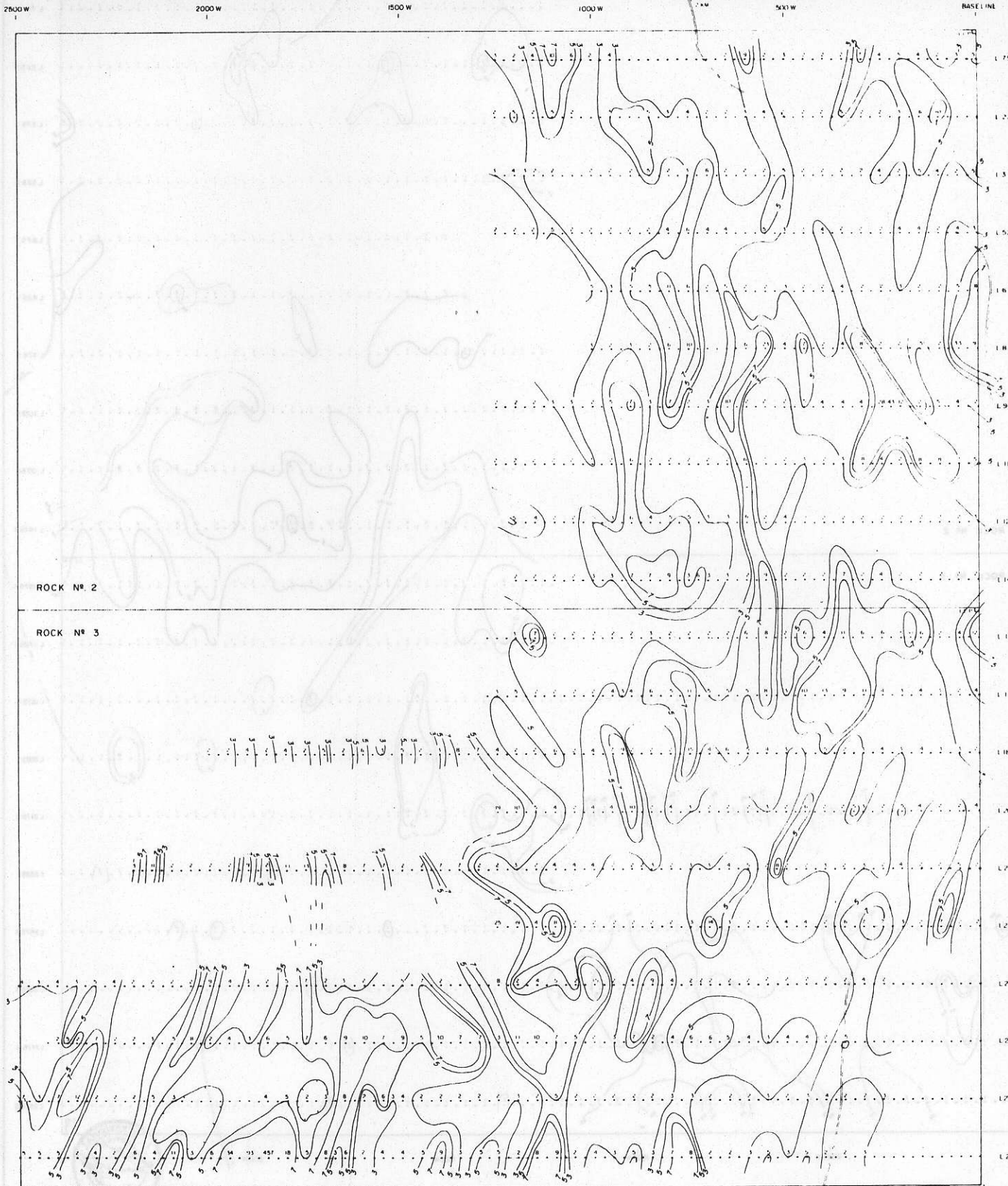
FIGURE 10

PAN AMERICAN CONSULTANTS LTD.  
 QUINELLA EXPLORATION LTD  
**GEOCHEMISTRY-Sb**  
 ROCK CLAIMS  
 NTS 82E/3E  
 GREENWOOD M.D., B.C.



TO ACCOMPANY REPORT BY L. SOURCHOFF, P. ENG., MAY 1985

SCALE 1 5000  
 MAY 1985



ROCK No 2

ROCK No 3

2500W 2000W 1500W 1000W 500W

STATION  
ANOMALY IN PPM

**LEGEND**

• STATION  
• ANOMALY IN PPM

PPM ANOMALY  
5 SUB ANOMALY  
1 BACKGROUND



**FIGURE 9**

PAN AMERICAN CONSULTANTS LTD  
**QUINELLA EXPLORATION LTD.**  
**GEOCHEMISTRY - A8**  
 ROCK CLAIMS  
 NTS 82E/3E  
 GREENWOOD M.D., B.C.

SCALE 1:5000

MAY 1983

TO ACCOMPANY REPORT BY I. SAHOOCHET, P. ENG., MAY 1983

2500 W

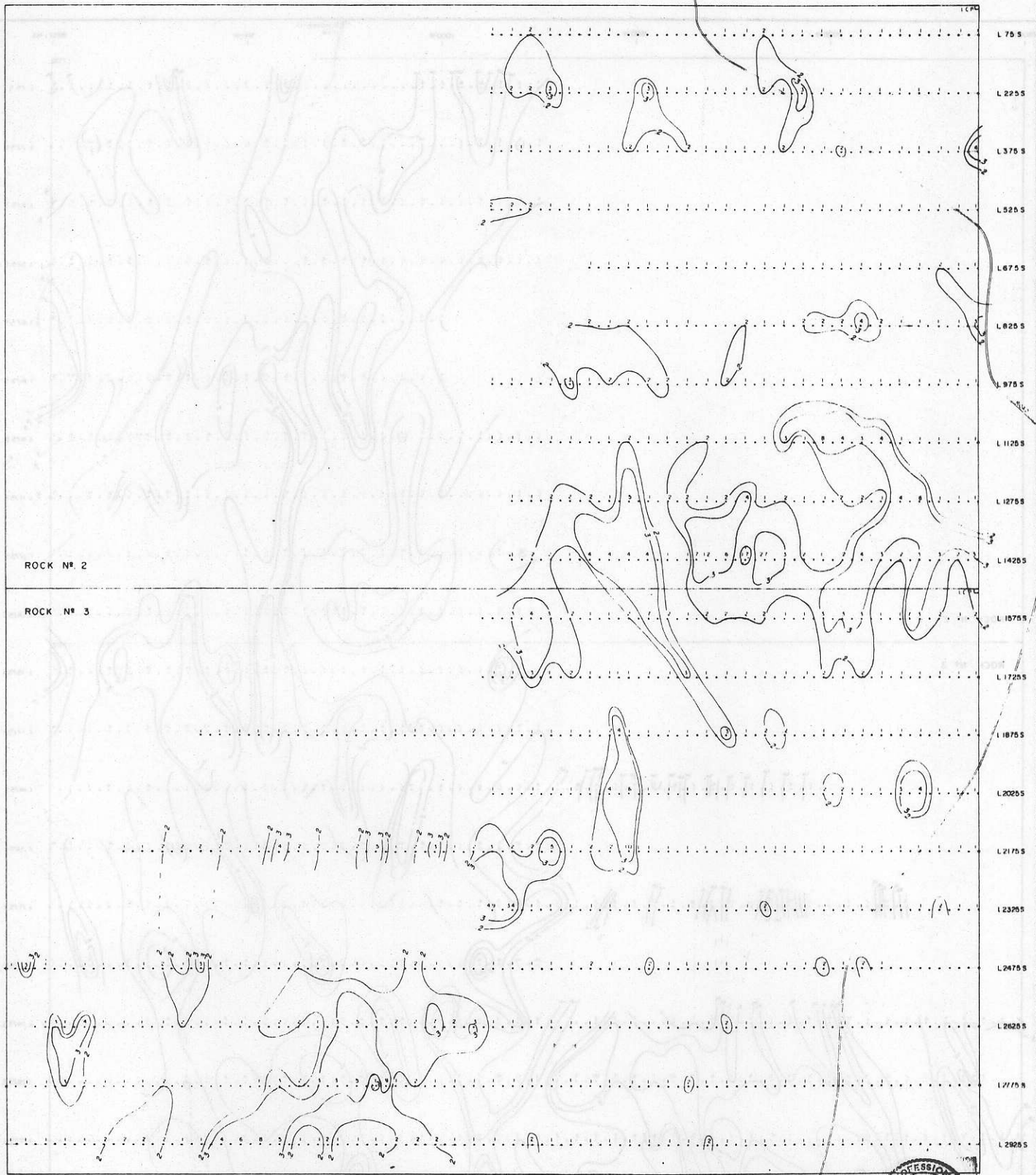
2000 W

1500 W

1000 W

500 W

BASELINE



ROCK N° 2

ROCK N° 3

L 75 S  
L 225 S  
L 375 S  
L 525 S  
L 675 S  
L 825 S  
L 975 S  
L 1125 S  
L 1275 S  
L 1425 S  
L 1575 S  
L 1725 S  
L 1875 S  
L 2025 S  
L 2175 S  
L 2325 S  
L 2475 S  
L 2625 S  
L 2775 S  
L 2825 S

LEGEND

STATION  
5g IN PPM

PPM  
1 ANOMALOUS  
2 SUB ANOMALOUS  
3 BACKGROUND



FIGURE 8

PAN AMERICAN CONSULTANTS LTD.  
QUINELLA EXPLORATION LTD.  
GEOCHEMISTRY - Ag  
ROCK CLAIMS  
NTS 82E/3E  
GREENWOOD M.D., B.C.



TO ACCOMPANY REPORT BY L. SIDORCHOFF, P. ENG., MAY 1983

0 100 200 METRES

SCALE 1:5000

MAY 1983

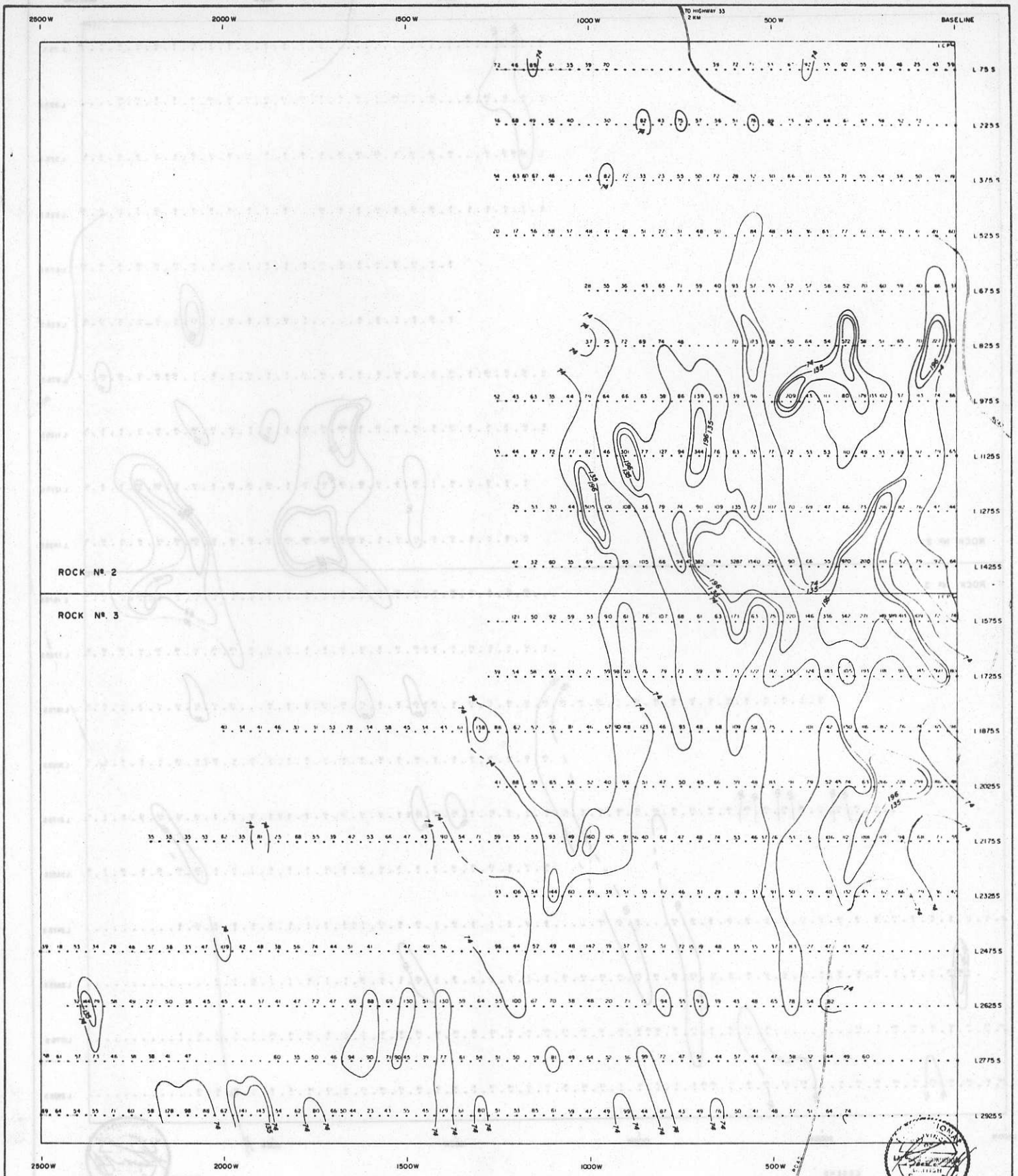


FIGURE 7

PAN AMERICAN CONSULTANTS LTD  
 QUINELLA EXPLORATION LTD  
 GEOCHEMISTRY - Zr  
 ROCK CLAIMS  
 NTS 82E/3E  
 GREENWOOD M.D. B.C.

SCALE 1:5000

MAY 1983

**LEGEND**

STATION  
 47 2x IN PPM

196 ANOMALOUS  
 155 SUB ANOMALOUS  
 74 BACKGROUND

TO ACCOMPANY REPORT BY L. SUKOCHEWICZ, P. ENG., MAY 1983



ROCK # 2

ROCK # 3

**LEGEND**

• STATION  
 PP IN PPM

PPM ANALYSIS  
 116 SUB ANOMALOUS  
 20 BACKGROUND

**FIGURE**

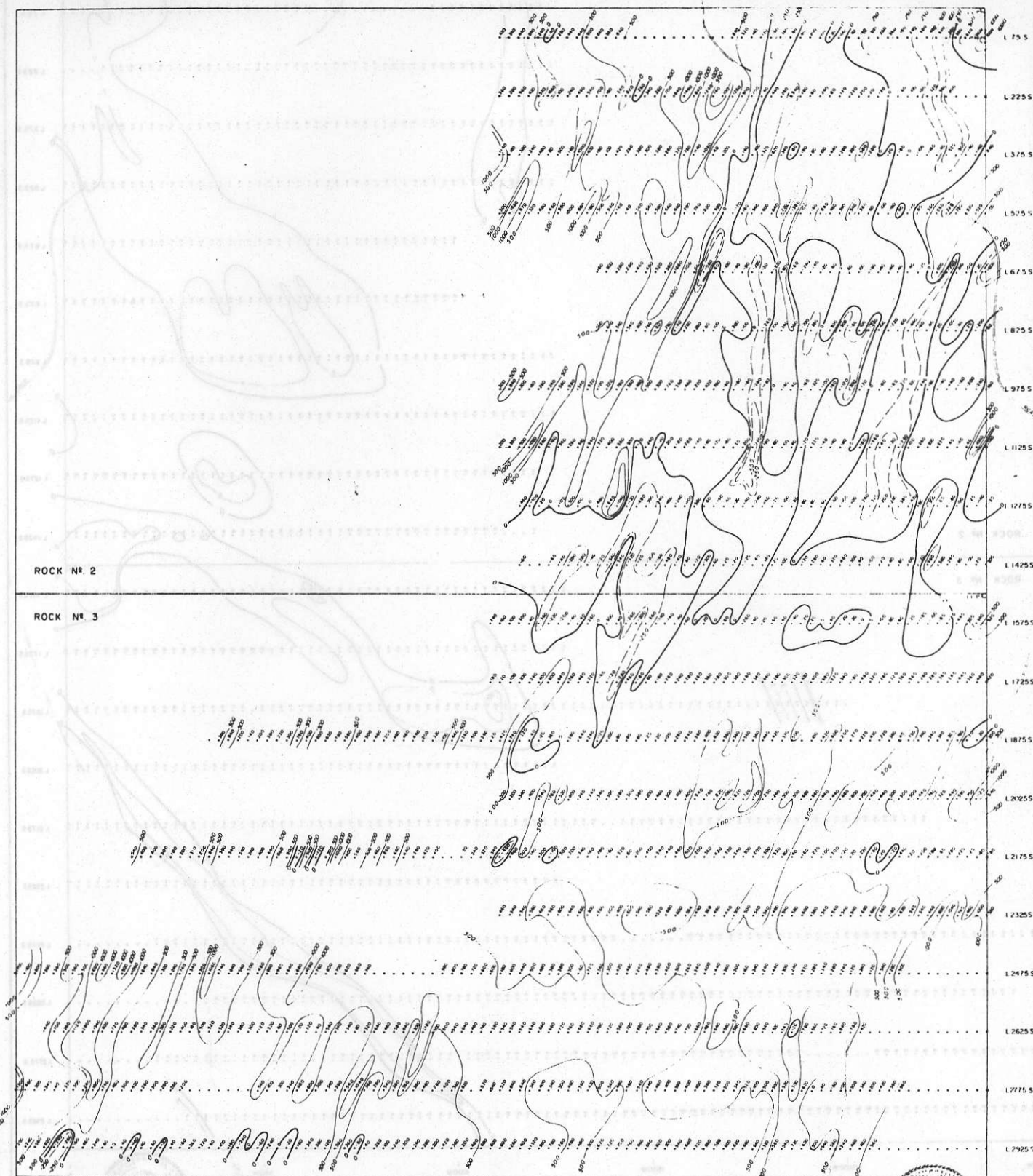
PAN AMERICAN CONSULTANTS LTD.  
 QUINELLA EXPLORATION LTD.  
**GEOCHEMISTRY-Pb**  
 ROCK CLAIMS  
 NTS 82E/3E  
 GREENWOOD M.D., B.C.

SCALE 1:5000 MAY 1983

ATTACHMENT REPORT BY L. SCHOENHART P. ENG. MAY 1981



2500 W 2000 W 1500 W 1000 W 500 W BASELINE



ROCK N° 2

ROCK N° 3

2500 W 2000 W 1500 W 1000 W 500 W

LEGEND

- STATION
- MAGNETOMETRIC READING IN GAMMAS (54400+)
- POSITIVE CONTOUR AT 500 & 1000 G
- CONTOUR AT 54,000 G
- - - - NEGATIVE CONTOUR AT -250 & 500 G
- BASE VALUE 54,000 G



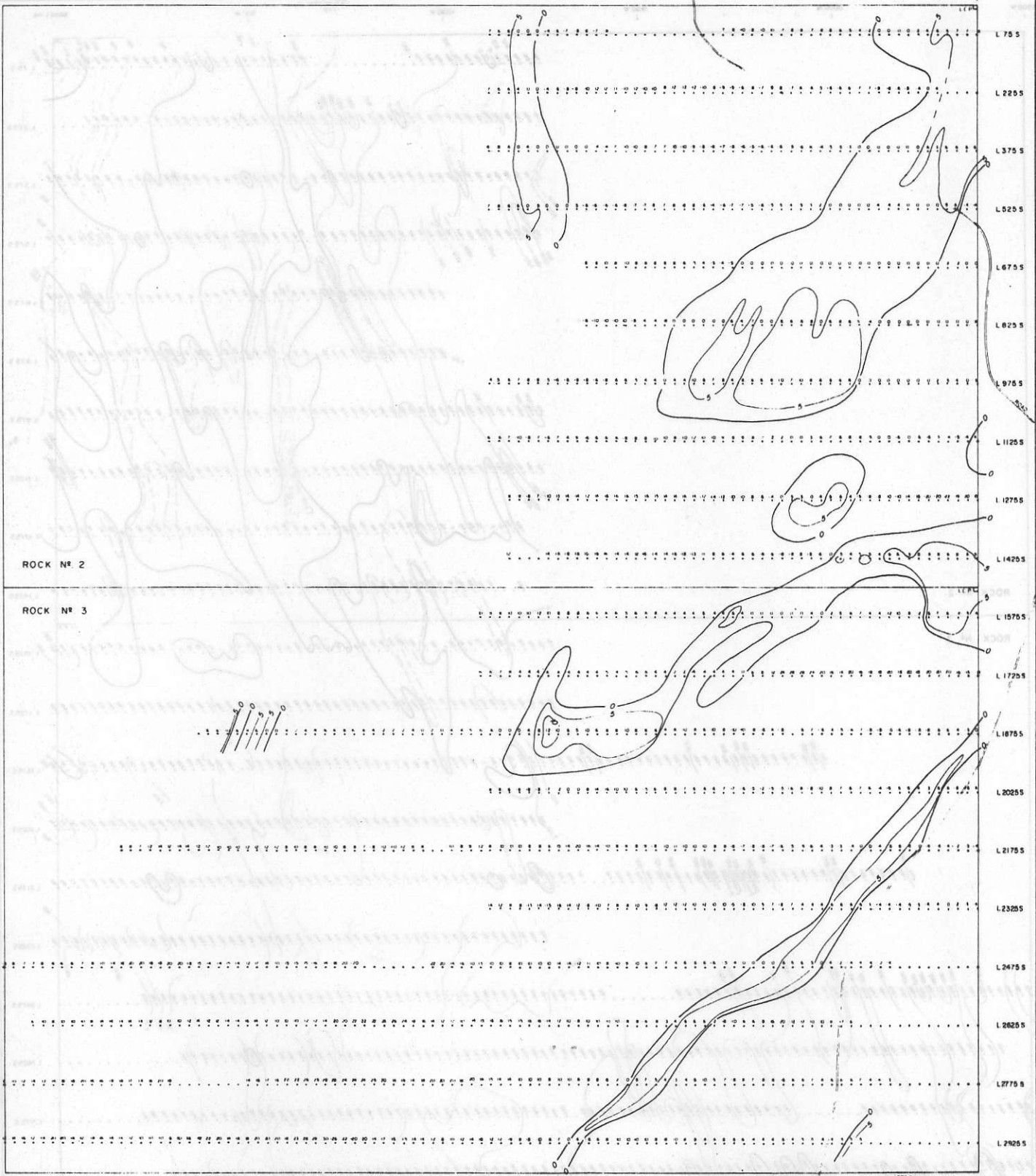
PAN AMERICAN CONSULTANTS LTD.  
 QUINELLA EXPLORATION LTD.  
**MAGNETOMETER SURVEY**  
 ROCK CLAIMS  
 NTS 82E/3E  
 GREENWOOD M.D. B.C.



TO ACCOMPANY REPORT BY I. SUDKOROFF, P. ENG., MAY 1981

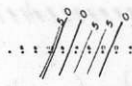
500 1000 1500 2000 2500 METERS  
 SCALE 1:5000  
 MAY 1983

2500 W 2000 W 1500 W 1000 W 500 W BASELINE



ROCK N° 2

ROCK N° 3



**LEGEND**

• STATION

○ FIELD READING POINT

○ CONTROL POINT



QUINELLA EXPLORATION LTD.  
**VLF-EM SURVEY**  
 ROCK CLAIMS  
 NTS 82E/3E  
 GREENWOOD M.D. B.C.



TECHNICAL REPORT BY L. SCORCHOFF, P. ENG. MAY 1983

SCALE 1:5000 MAY 1983

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| 6  | Regional .....                    |
| 7  | Local .....                       |
| 7  | Airdrome Survey .....             |
| 8  | ECONOMIC POTENTIAL .....          |
| 10 | SUMMARY AND RECOMMENDATIONS ..... |
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| 17 | CERTIFICATE .....                 |

A REPORT  
on the  
**AIR 1 AND 2 MINERAL CLAIMS**  
SLOCAN MINING DIVISION  
for  
**QUINELLA EXPLORATION LTD.**

by

John S. Vincent, P. Eng.

Delta, B. C.

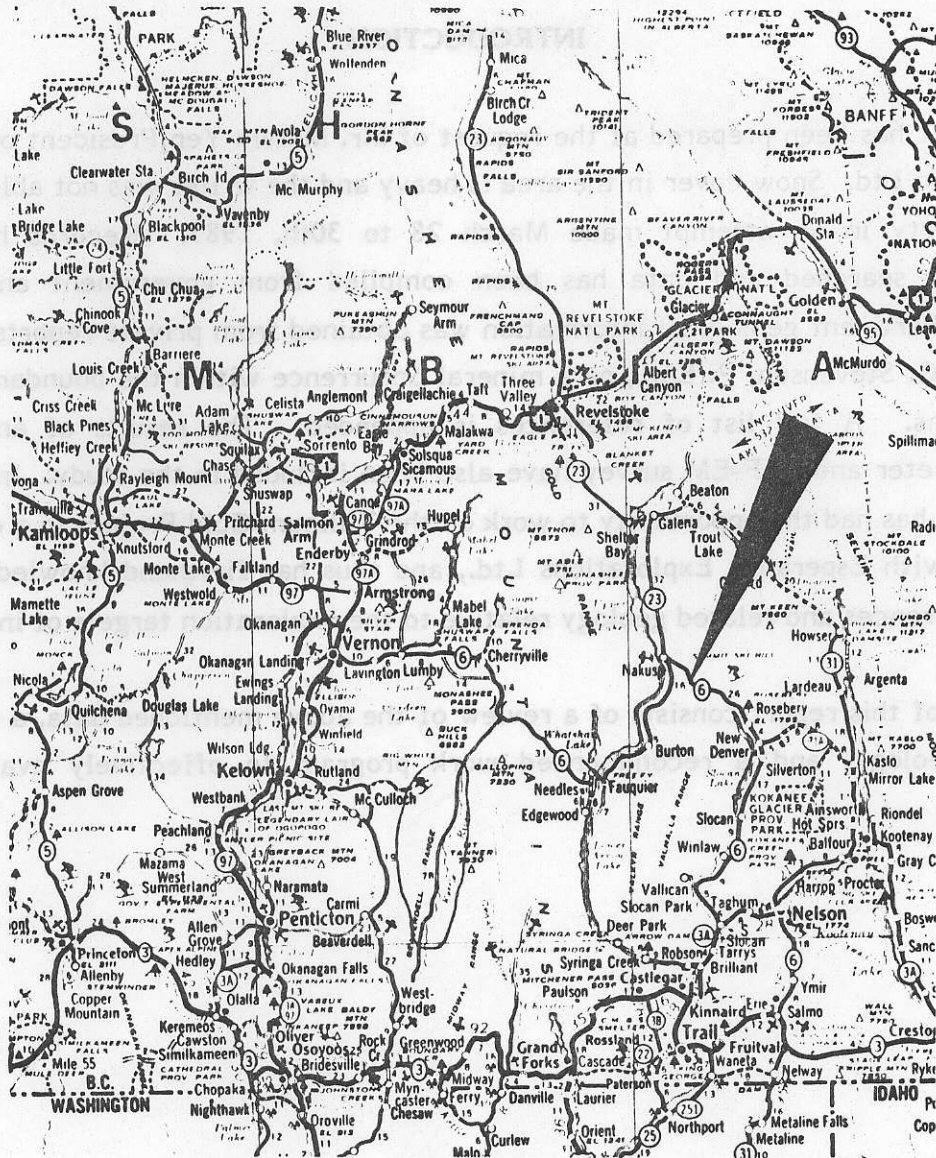
12 April 1983

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| Phase 2 .....                     | 11          |
| COST ESTIMATE .....               | 12          |
| REFERENCES .....                  | 16          |
| CERTIFICATE .....                 | 17          |

## ILLUSTRATIONS

|                       |          |
|-----------------------|----------|
| Location Map .....    | Figure 1 |
| Claim Map .....       | Figure 2 |
| Compilation Map ..... | Figure 3 |



QUINELLA EXPLORATION LTD.

LOCATION MAP

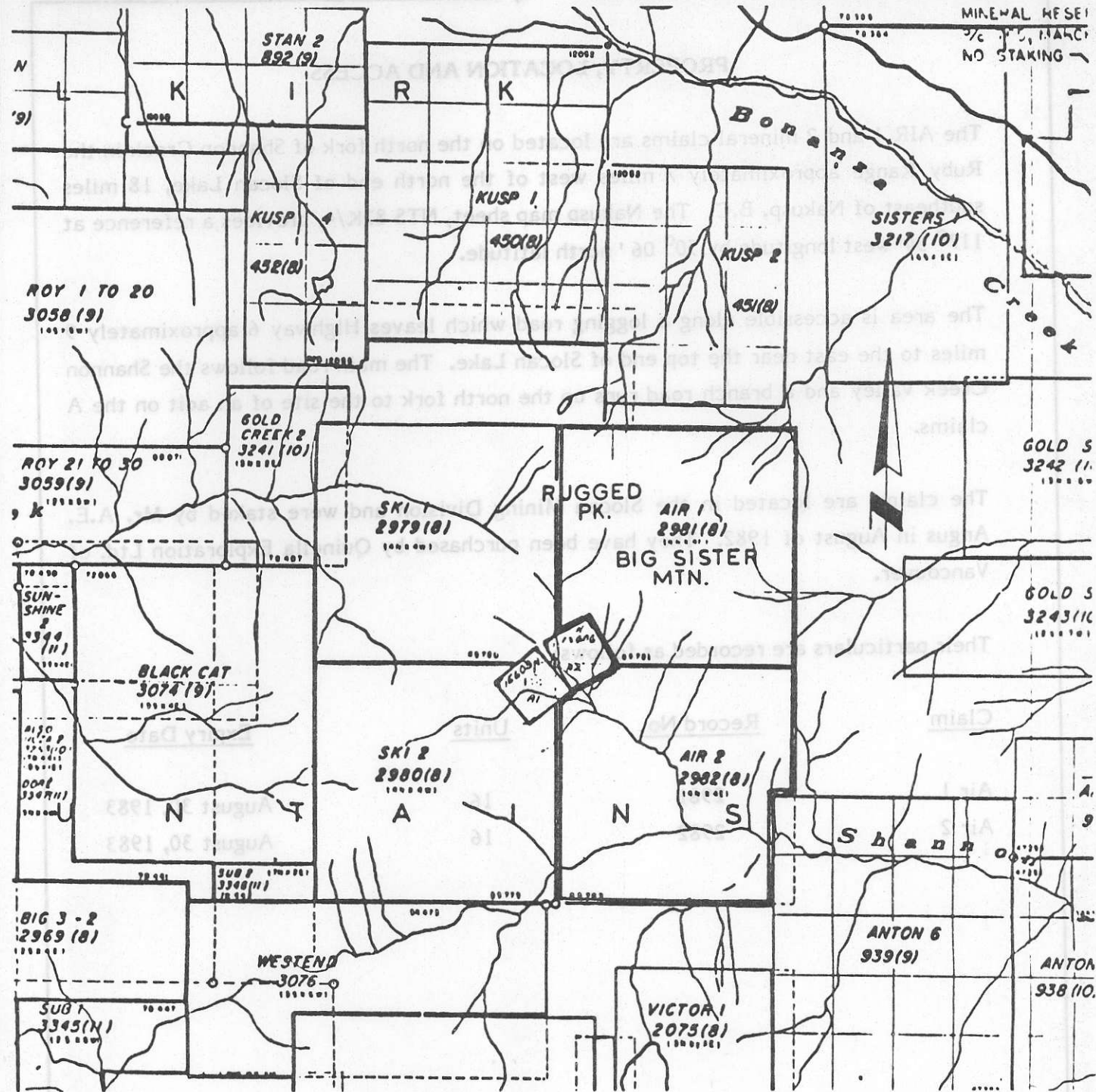


## INTRODUCTION

This report has been prepared at the request of Mr. Melvin Yen, President of Quinella Exploration Ltd. Snow cover in the area is heavy and the writer was not able to reach the property in an attempt made March 28 to 30th, 1983. Records have been thoroughly searched and data has been compiled from government and private sources. Pertinent geological information was obtained from private reports prepared by Mr. W.G. Stevenson, P. Eng., on a mineral occurrence within the boundaries of the AIR claims. A full list of references is appended. The results of an airborne magnetometer and VLF-EM survey have also been included in the study. In addition, the writer has had the opportunity to work on the Tillicum Gold Project in a consulting capacity with Esperanza Explorations Ltd., and thus has firsthand knowledge of the gold occurrences and related geology relative to the exploration targets of interest.

The body of this report consists of a review of the above mentioned data, a discussion of the geology, and a recommended work program to effectively evaluate the property.

*John J. Vincent* P. Eng.



QUINELLA EXPLORATION LTD.  
CLAIMS MAP

1 50,000



## PROPERTY, LOCATION AND ACCESS

The AIR 1 and 2 mineral claims are located on the north fork of Shannon Creek in the Ruby Range approximately 7 miles west of the north end of Slocan Lake, 18 miles southeast of Nakusp, B.C. The Nakusp map sheet, NTS 82K/4, provides a reference at  $117^{\circ} 34'$  west longitude by  $50^{\circ} 06'$  north latitude.

The area is accessible along a logging road which leaves Highway 6 approximately 9 miles to the east near the top end of Slocan Lake. The main road follows the Shannon Creek valley and a branch road runs up the north fork to the site of an adit on the A claims.

The claims are located in the Slocan Mining Division and were staked by Mr. A.E. Angus in August of 1982. They have been purchased by Quinella Exploration Ltd. of Vancouver.

Their particulars are recorded as follows:

| <u>Claim</u> | <u>Record No.</u> | <u>Units</u> | <u>Expiry Date</u> |
|--------------|-------------------|--------------|--------------------|
| Air 1        | 2981              | 16           | August 30, 1983    |
| Air 2        | 2982              | 16           | August 30, 1983    |



*John S. Vincent* P. Eng.



## HISTORY

Mineral discovery in the Slocan District dates back to the turn of the century, and the area has maintained a fluctuating level of activity since that time. The A1 and A2 mineral claims which are surrounded by the AIR and SKI claims have been held over the past years by Alex Strebchuck of New Denver, B.C. He has driven an adit into the west bank of the north fork of Shannon Creek, as located on Figure 3, and followed a mineralized contact zone which strikes southwesterly. In 1975 he shipped 24 tons of material to Trail which assayed 0.08 ounces of gold per ton, 17 ounces of silver per ton, 27% combined lead and zinc, and 0.5% copper.

In 1970 Mr. Strebchuck optioned his claims to Rimrock Mining Corporation Ltd. and Shawnex Mines Ltd. At this time the A-claims were centered in a group of 13 mineral claims held by Strebchuck. Under the direction of Mr. W.G. Stevenson, P. Eng., a work program of geological mapping, sampling, magnetometer and VLF-EM surveying was carried out over a survey grid. Thirteen diamond drill holes totalling 1929 feet were completed to test geophysical anomalies and probe for possible continuity of the mineralized zone in the adit area. The results were not encouraging, and the option was terminated.

A staking rush developed over the 1982 field season as a result of a high grade gold discovery in 1981 by Esperanza Explorations Ltd. on Tillicum Mountain, 10 miles southwest of Shannon Creek. Over 50 junior resource companies have acquired claims in the area, the majority of whom plan work in 1983.

In the fall of 1982 an airborne survey was flown over an area which included the AIR 1 and 2 mineral claims, and these results are included in Figure 3, the compilation map.

## GEOLOGY

### Regional

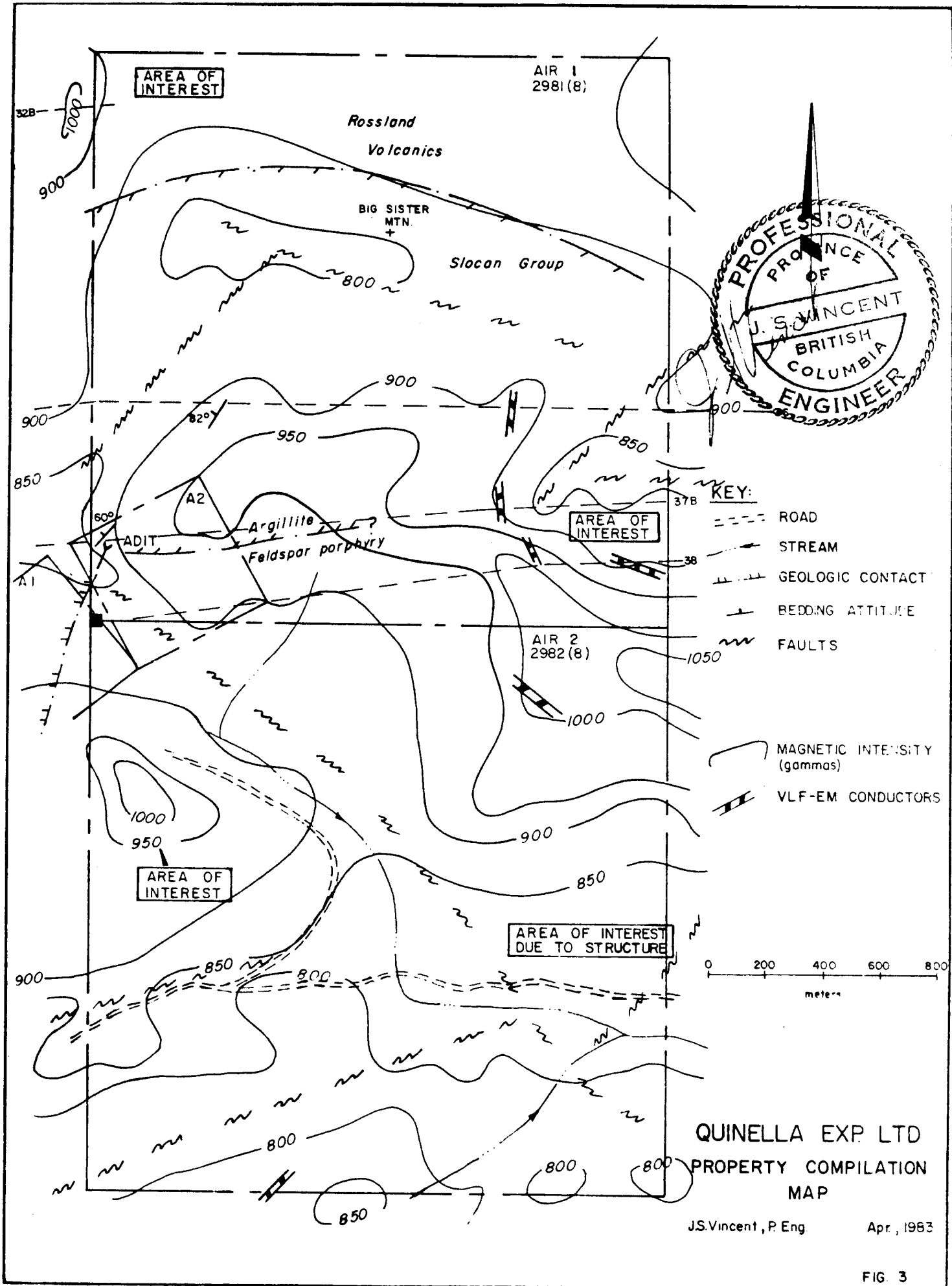
The AIR claims ly across the Slocan syncline, a major structural feature which trends southeasterly between the Columbia River and Kootenay Lake, and which is composed of a stratigraphic section of strongly deformed fine-grained clastic and volcanic rocks of Triassic to Lower Jurassic age. The axial zone of the fold passes through the Air 1 claim.

These rocks have been mapped as the Slocan Group by Little (1960) and Hyndman (1968). The Valhalla dome, a younger complex of intrusive and gneissic rocks, bounds the area to the south. Hyndman tentatively separated the Milford Group of rocks from Little's general package of Slocan rocks, and he outlines a belt of Milford which trends northeasterly across Tillicum Mountain between the Slocan syncline on the north and the Valhalla dome on the south. Metamorphic grade increases from greenschist in the Slocan rocks to sillimanite grade immediately north of the Valhalla.

The Milford rocks are predominantly pelitic, but do have a significant volcanic content. Likewise, the Slocan are mainly argillaceous with significant volcanic portions. The Milford correlation suggested by Hyndman is based on lithological similarities to other areas and is open to further study. Thus, it appears that the relationship between Milford and Slocan Group rocks requires further study. Work planned through the area during the 1983 season should provide further insights with regard to this problem.

The structure of the area is complex and several periods of folding have been suggested. Hyndman interprets three periods while Parrish, 1981, indicates two. A general easterly trend is developed about axial planes which dip to the north and are overturned increasingly southward closer to the Valhalla gneiss complex.

Intrusive rocks post-date metamorphic events and appear to range through the Cretaceous and possibly Upper Jurassic.



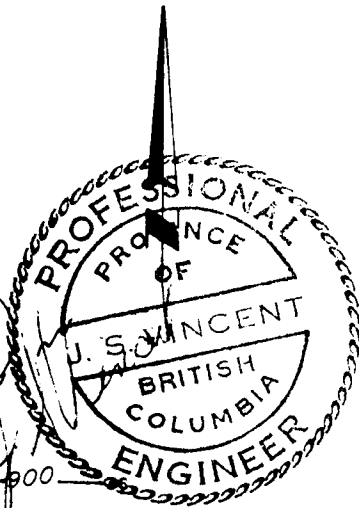
AREA OF INTEREST

AIR 1  
2981 (8)

Rosland  
Volcanics

BIG SISTER  
MTN.

Slocan Group



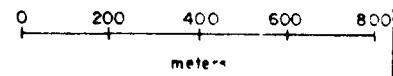
KEY:

- ROAD
- STREAM
- GEOLOGIC CONTACT
- BEDDING ATTITUDE
- FAULTS
- MAGNETIC INTENSITY (gammas)
- VLF-EM CONDUCTORS

AREA OF INTEREST

AREA OF INTEREST

AREA OF INTEREST  
DUE TO STRUCTURE



QUINELLA EXP LTD  
PROPERTY COMPILATION  
MAP

J.S. Vincent, P. Eng      Apr., 1963

FIG. 3

### Local

On the AIR 1 claim the Slocan section is overlain by the Lower Jurassic Rosland Group of rocks which consist of a package of mafic volcanic flows and tuffs.

Detailed geologic mapping carried out by W.G. Stevenson & Associates in 1970 shows the central portion of the property in the area of the A claims to be underlain by argillaceous rocks of the Slocan Group which strike southeasterly and dip steeply to the north. A tunnel has been driven in a southwesterly direction along a mineralized contact zone between the argillites and a body of quartz porphyry intrusive. The Shannon Creek stock occurs approximately 2 miles to the south, and this quartz porphyry may be genetically related.

The mineralization is described as sphalerite, galena, chalcopyrite, and tetrahedrite in a gangue of porphyry, quartz, and argillite. The silver content ranges up to 11 ounces per ton and the lead-zinc assays range to 18% and 16% respectively.

The magnetic and electromagnetic surveying carried out in conjunction with the geological mapping did not respond to the mineralized zone, but did indicate east-west and intersecting northeasterly trending patterns which show a degree of conformity with the mapped geology. The intrusive contact crosses the AIR 2 in an easterly direction for 1/2 a mile, and can be traced southwesterly from the tunnel for 1/4 of a mile.

Diamond drilling did not intersect significant mineralization along strike with the tunnel zone, but a hole undercutting the mined area intersected 14 feet which averaged 4.4 ounces of silver per ton, 2.8% lead, 1.1% zinc, and 0.20% copper; gold was not analyzed. Two holes located to test geophysical anomalies were not properly positioned to be effective.

### Airborne Survey

The 1982 airborne magnetic and electromagnetic survey located several areas of interest which require follow-up. The following is taken from the text of a report by Glen E. White, P. Eng., Consulting Geophysicist.

*John J. Vincent* P. Eng.

"The magnetic intensity map shows several magnetic anomalies of moderate intensity which may possibly relate to volcanic tuffs or flows of higher magnetic susceptibility, or small intrusive plugs which have formed magnetite-bearing skarns. One of these small anomalies occurs south of the old Crown Grant claims. Its relationship to the known mineralization should be investigated. A similar anomaly occurs on flight line 32B in the northwest corner of the grid. Two larger anomalies were outlined, one in the extreme north of the survey area and the other just south of Big Sister Mountain. Both of these features trend in a northwest-southeast direction parallel to the Slocan Syncline axis. Thus, they may be caused by volcanic rocks within the phyllite-argillite-slate sequence. The anomaly to the south of Big Sister Mountain is abruptly terminated by a pronounced fault.

The VLF-EM data shows several interpreted conductor responses. Part of the area was flown on a Thursday, thus, some of the Seattle VLF data is missing. Particularly interesting responses were detected on lines 36, 37B and 38 in association with the Big Sister's magnetic anomaly. A directly coincident magnetic and VLF-EM response occurs on line 30 off the northern boundary of the claims. This type of anomaly could be caused by magnetite or pyrrhotite in association with graphite or sulphide mineralization in the Rossland volcanic sequence.

#### Summary of Results

The airborne magnetometer - VLF electromagnetometer survey over the Air claims detected three areas of interest within the approximate claim boundaries. A small magnetic anomaly was located south of the old Crown Grant claims and would appear to be lense-like in nature. A good magnetic anomaly was delineated south of Big Sister Mountain. Several interpreted VLF electromagnetic conductors occur with this anomaly. The magnetic data suggests the intersection of several magnetic linears in the Shannon Creek area which could be an area of tectonic interest. It is recommended that these areas of interest be followed up on the ground by normal exploration techniques."

## ECONOMIC POTENTIAL

The gold-silver mineralization found on the Tillicum is a virgin gold discovery in a geologic setting which appears to have a stratigraphic control. Detailed mapping by the writer has shown the stratigraphic section to have volcanic and calcareous components which are important to the localization of gold values. Thin section studies have shown that the rocks are extensively fractured on a microscopic scale and have been flooded with fresh potash feldspar. Preliminary studies suggest that this hydrothermal activity may also have an important relationship to the gold-silver mineralization. Nearby young intrusives are likely source-related to this fluid activity.

Although the Tillicum is underlain by Milford Group rocks, the Slocan Group which underlies the AIR claims appears to be very similar in composition. Careful prospecting and stratigraphic mapping and sampling will be required to evaluate the section.

The high-grade silver mineralization discovered on the A claims owned by Mr. Strebchuck may occur further east and southwest along the intrusive contact, and sophisticated geophysical techniques should be brought to bear on this contact zone. As at Tillicum, hydrothermal activity related to the quartz porphyry may also have associated mineralization where conducive structural conditions have developed.

The Rossland Group of mafic volcanic rocks has the potential to host both base and precious metal mineralization, and must be effectively prospected.

## SUMMARY AND RECOMMENDATIONS

The AIR 1 and 2 mineral claims are underlain by a sequence of argillaceous and volcanic rocks which have the potential to host precious metal mineralization similar to that found on Tillicum Mountain. The combination of sedimentary and volcanic rocks indicate a geologic environment conducive to the concentration of precious metals.

The high-grade silver mineralization discovered along the contact with the quartz porphyry suggests that mineralizing hydrothermal solutions accompanied the intrusive activity. Geologic mapping and rock geochemistry will be required to evaluate hydrothermal overprinting away from the contact zone.

A 2-phase work program is recommended to evaluate the AIR 1 and 2 mineral claims.

### Phase 1

1. Carry out an initial stage of geologic mapping, prospecting, and rock geochemistry. Rock-chip sampling should be done in conjunction with stratigraphic mapping. As geologic mapping progresses, particular attention must be given to contact intervals where volcanic rocks are overlain by sediments. The development of lime-rich rocks is also significant.
2. As geologic features are defined, lay out a flagged compass grid and collect soil samples at 50 meter intervals along lines spaced at 100 metres.
3. Carry out magnetometer and VLF-EM surveys over the anomalous areas highlighted by the airborne survey. Mapping and geochemistry will also provide important data for the evaluation of these anomalies.
4. Open up and trench areas of interest by means of a gasoline plugger, powder and hand tools.

Phase 2

Contingent on encouraging results from the first phase, the following work will be required.

1. Detailed geologic mapping and sampling of areas of interest should continue.
2. Bulldozer trenching and diamond drilling will be required.



## COST ESTIMATE

### Phase 1

#### Personnel

|                             |              |          |
|-----------------------------|--------------|----------|
| Geologist - 20 days @ \$375 | \$7,500      |          |
| Assistant - 20 days @ \$180 | <u>3,600</u> | \$11,100 |

#### Grid and Soil Sample

|                          |  |        |
|--------------------------|--|--------|
| Estimate - 50 km @ \$200 |  | 10,000 |
|--------------------------|--|--------|

#### Personnel Costs

|                       |              |       |
|-----------------------|--------------|-------|
| a) Camp Construction  | 2,500        |       |
| b) 65 man days @ \$30 | <u>1,950</u> | 4,450 |

#### Analytical

|                        |              |        |
|------------------------|--------------|--------|
| a) 1600 soils @ \$5.00 | 8,000        |        |
| b) 250 rocks @ \$5.00  | 1,250        |        |
| c) 100 assay @ \$12.00 | <u>1,200</u> | 10,450 |

#### Geophysical

|   |            |       |
|---|------------|-------|
| a) Instrument rental; mag. & VLF<br>10 days @ \$175 | 1,750      |       |
| b) Crew - 10 days @ \$500                           | 5,000      |       |
| c) Data reduction and reporting @ 12%               | <u>810</u> | 7,560 |

#### Truck

|                            |  |       |
|----------------------------|--|-------|
| 1 1/2 truck mos. @ \$1,300 |  | 1,950 |
|----------------------------|--|-------|

#### Trending

|                              |              |       |
|------------------------------|--------------|-------|
| a) Machine rental and powder | 1,000        |       |
| b) Crew - 15 days @ \$400    | <u>6,000</u> | 7,000 |

Miscellaneous

Communication, expendable field items 750

Supervision, Consulting & Reporting 5,000

Overhead & Administration @ 12% 6,991

\$65,251

ALLOW \$65,000

Phase 2Personnel

|                             |              |          |
|-----------------------------|--------------|----------|
| Geologist - 25 days @ \$375 | \$9,375      |          |
| Assistant - 25 days @ \$180 | <u>4,500</u> | \$13,875 |

Personnel Costs

|                          |              |       |
|--------------------------|--------------|-------|
| a) Camp Costs            | 1,500        |       |
| b) 60 man days @ \$30.00 | <u>1,800</u> | 3,300 |

Truck

|                        |  |       |
|------------------------|--|-------|
| 1 truck month @ \$1300 |  | 1,300 |
|------------------------|--|-------|

Trenching

|                                |              |        |
|--------------------------------|--------------|--------|
| a) Bulldozer - 50 hours @ \$80 | 4,000        |        |
| b) Machine rental and powder   | 1,000        |        |
| c) Crew - 15 days @ \$400      | <u>6,000</u> | 11,000 |

Diamond Drilling

|  |  |        |
|--|--|--------|
| Allow for 1000 metres of BQ @ \$92 per meter;<br>(all in cost) |  | 92,000 |
|--|--|--------|

Analytical

|          |  |       |
|----------|--|-------|
| Estimate |  | 5,000 |
|----------|--|-------|

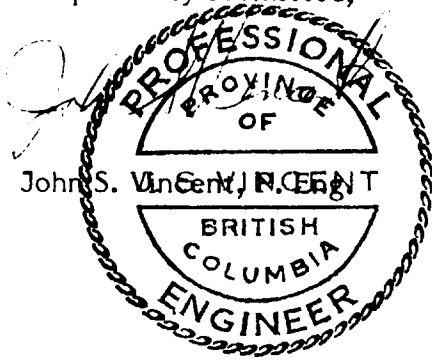
Miscellaneous

|                                       |  |     |
|---------------------------------------|--|-----|
| Communication, expendable field items |  | 750 |
|---------------------------------------|--|-----|

|  |              |
|--|--------------|
| <u>Supervision, Consulting &amp; Reporting</u> | 5,000        |
| <u>Overhead &amp; Administration @ 12%</u>     | <u>7,500</u> |
|  | \$139,725    |

**ALLOW \$140,000**

Respectfully submitted,



April 12, 1983  
Delta, B.C.

*John J. Vincent* P. Eng.

## REFERENCES

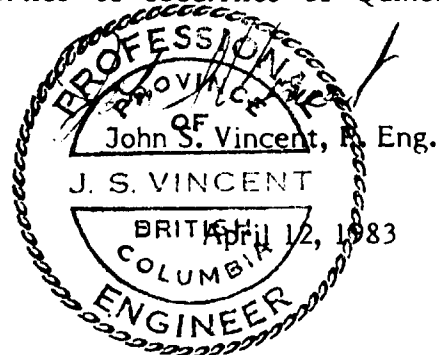
- Little, H.W.; Nelson Map Area, West Half, British Columbia, GSC Memoir 308, 1960.
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- Stevenson, W.G.; Geological Report on the North Shannon Creek Prospect, for Shawnex Mines Ltd., June 22, 1970.
- Summary Geological Report on the A Mineral Claims for Shawnex Mines Ltd., and Rimrock Mining Corporation Ltd., December 21, 1970.
- Vincent, J.S.; Report on the Tillicum Gold Project for Esperanza Explorations Ltd., 1981.
- Report on the Tillicum Gold Project for La Teko Resources Ltd., September, 1982.
- White, G.E.; Quinella Exploration Ltd., Airborne Magnetometer, VLF-EM Survey; March 2, 1983.

CERTIFICATE

I, John S. Vincent, DO HEREBY CERTIFY:

1. That I am a Consulting Geologist resident at 4859 12A Ave., Delta, B. C., V4M 1B6.
2. That I am a graduate of Queen's University in Geological Sciences, B.Sc., - 1959; and of McGill University, M.Sc. - 1962.
3. That I am a Registered Professional Engineer (Geological) in the Association of Professional Engineers of the Province of British Columbia.
4. That I am a Fellow of the Geological Association of Canada, and a Member of the Canadian Institute of Mining and Metallurgy.
5. That I have practiced my profession as a geologist for the past twenty-four years.
6. Although I have not examined the area under study I am familiar with the geology and mineral occurrences of the Tillicum area, and I have thoroughly researched and compiled all available data.
7. That I have no interest in the properties of securities of Quinella Exploration Ltd.

Vancouver, B. C.



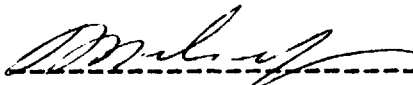
*John S. Vincent* P. Eng.

C E R T I F I C A T E

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The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 7 of the Securities Act, and the regulations thereunder.

DATED the 12th day of SEPTEMBER, 1983, at the City of Vancouver, in the Province of British Columbia.



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MELVIN YEN  
DIRECTOR/PROMOTER



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LARRY RALPH WILSON SOSTAD  
DIRECTOR/PROMOTER



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ARTHUR FREDERICK ROBERTS  
DIRECTOR/PROMOTER

EFFECTIVE DATE: February 6, 1984

QUINELLA EXPLORATION LIMITED

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AMENDMENT NO. 1 TO PROSPECTUS DATED SEPTEMBER 12, 1983

1. The Section "SHARE AND LOAN CAPITAL STRUCTURE - PRIOR SALES - ISSUANCE OF SHARES" is hereby amended by deleting the first paragraph on page 3 and replacing it with the following paragraph:


"The 440,000 shares previously sold for cash at 10¢ per share have been voluntarily pooled with The Canada Trust Company subject to release on the following basis:

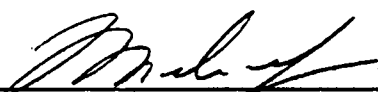
- [a] 25% shall be released on the day the shares of the Company commence trading on the Vancouver Stock Exchange (the "listing date");
- [b] 25% shall be released three months following the listing date;
- [c] 25% shall be released six months following the listing date;
- [d] The balance shall be released nine months following the listing date."

CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Amendment No. 1 and the prospectus dated September 12, 1983.

DATED at Vancouver, British Columbia, this 1st day of February, 1984.

  
\_\_\_\_\_  
LARRY RALPH WILSON SOSTAD  
President  
Director

  
\_\_\_\_\_  
MELVIN YEN  
Secretary  
Director

  
\_\_\_\_\_  
ARTHUR FREDERICK ROBERTS  
Director