

DRAGON RESOURCES LTD. (DRG-V)

GREENSTONE RESOURCES LTD. (GRE-T, M; Masdaq)

CONTINUED FROM PAGE TWO - Massive lead, galena boulders weighing up to 155 pounds were recovered from trenches. Similar shear zone orebodies were mined profitably above the Sullivan orebody and at the nearby formerly producing St. Eugene mine. These shears represent a third type of target.

Detailed geochemical surveys and trenching defined targets for drilling. Prospecting has also outlined gold mineralization related to Cretaceous intrusives that will also be tested. Drilling resumed in early January 1989 and is continuing with assay results expected to be reported shortly.

The fourth target has surface gold values coincident with a magnetic anomaly 1,000 feet long by 160 feet wide, apparently related to felsic intrusives which typically have consistent gold values in the McNeil district. A large placer gold operation is in progress in the Mayle River to the north of this target.

The McNeil has never been drilled previously.

Will 30 miles southeast of Kimberley, B.C. is a large potential epithermal gold project of the Carlin, Nevada type, where several phases of staking have been completed. The land holding now includes 160 square miles, covering five mercury showings, originally indicated by geophysical surveys, in a structural, geological and mineralogical setting similar to the model established in the Carlin gold belt. Fracture related mercury up to 0.55 Hg. in the block faulted, dolomite limestone Gateway formation occurs on the property and may be the expression of a major gold deposit at depth. The streams on the property, including Gold Creek, contain fine placer gold currently being recovered by small operators. The mercury is in a similar environment to that at the Pichi Lake mercury mine in central B.C.

Significant anomalies of gold were reported with this zone. Dragon has established the relationship between mercury and gold on the Gill property. This is in a previously unrecognized geological environment in Canada. Four short reconnaissance drill holes testing the anomalous target cut up to 86 feet of intense hydrothermally altered anomalous values in mercury, arsenic, antimony and barite plus anomalous gold and silver values lower in the holes. A 1989 exploration program of \$400,000 has started to seek the sources of the gold, by stream sediment, soil and rock geochemical sampling, geophysical surveys and geological mapping.

CONSTACK SILVER CUP: 80 units, ranging from 4,000 feet to 6,500 feet elevation, 6 miles east of Silverton, B.C., 40 miles northwest of Nelson. A 50/50 project with Greenstone Resources Ltd. Work was suspended in December when snow removal costs became too high to justify continued winter operations. Exploration will resume in May 1989 on the M2 area where surface sampling exposed two feet of vein material grading 25% lead, 13% zinc, 35 oz. silver/t. A former producer, first developed in 1897 by Cominco, with development on 9 levels. In the 1950's, leasers shipped about 500 tons grading 56% lead, 98 oz. silver/t. Sampling and trenching by Dragon outlined an area between the No.3 and No.5 levels over 600 feet of length with heavy sulphides and assays as high as 200 oz. silver per ton. Exploration in early 1988 discovered the Sarah vein which averaged 7% combined lead-zinc, 155 oz. silver/t, 0.03 oz. gold/t over 3.3 feet about 300 feet west of the No.9 haulage level portal. The Vicki vein, about 5 feet wide, was also recently discovered by drilling. Follow-up surface and underground drilling is planned. The veins are located within a large structure up to 300 feet wide with a suggested strike length of 2,000 feet and a vertical

082F NW 114

82G SW

extension of 1,400 feet. This structure contains a number of veins but has never been fully explored.

Over 3,000 tons of Constack dump material have been processed at the Ainsworth mill. A number of concentrate shipments have been made to the Cominco smelter at Vancouver, B.C. and have been accepted without metallurgical penalties. Operating costs are about \$100 per ton and revenues from typical Constack ore grading 20 oz. silver per ton and 10% combined lead-zinc ore about \$170 per ton.

AINSWORTH concentrating plant, 50% owned, was acquired with operating permits from David Minerals Ltd. when David was in bankruptcy. The plant, following major maintenance, repair and overhaul in the last 12 months now has a daily rated capacity of 125 tons ore per day and has operated recently at rated capacity to produce good quality concentrates. Turn-up of the rehabilitated plant started in March 1988. Expansion to 200 to 225 tons per day is under consideration. The plant is available to custom milling of ore from other properties. This custom milling is anticipated to generate a positive cash flow. The 50% partner, Minado Resources Ltd. has started an action seeking partition and sale of the mill. The action is being defended.

ABINGTON MINE: Salmo, B.C., a formerly producing high grade gold project, held in a 50/50 joint venture between **BLINCK GOLD CORPORATION** and South Kootenay Goldfields Inc. A drill program is underway seeking to add to reserves. Present reserves, broken in the mine, are 68,000 tons grading 0.14 oz. gold/t. The historic mine production was 100,000 tons grading 0.75 oz. gold/t. The 1988 production was 2,000 tons from underground that graded 0.16 oz. gold/t. A small open pit produced tonnage and grade at a profit.

TIGER-POOPAN: 5 square miles, 25 miles northeast of Kimberley, B.C. is held by South Kootenay Goldfields Inc. under agreements whereby a 100% interest can be earned by making option payments of \$100,000 over several years. The project has a high grade polymetallic potential where 9 adits and one shaft were driven in the early 1900's into a regional vein structure that outcrops over a distance of several miles. The vein width ranges from several inches to 6 to 7 feet. Recent chip sampling in some of the old adits returned assays of 50% lead, 2% zinc, 36 oz. silver/t, 0.043 oz. gold/t, 3.38% copper over 2 feet. Other assays include 0.47 oz. gold/t. Reserves to support a 50 to 100 ton per day operation are sought.

SUMMARY OF RECENT FINANCINGS

Jan. 31, 1989, Middlefield Resource Fund 1989 Ltd. Partnership of Toronto bought 200,000 flow through shares of Dragon at \$2.25 each for proceeds of \$450,000 and received an option to buy a further 100,000 shares at \$2.50 per share until Jan. 30, 1991. Yubex Investments Ltd. received a 21,000 share finders fee. This purchase was approved by the regulatory authorities March 30, 1989. At Feb. 28, 1989 there were 7,100,000 shares of Dragon issued, fully diluted. There is \$6,300,000 funded for the 1989 exploration program.

Dec. 23, 1988, Dragon sold 150,000 shares at 70¢ each with a warrant on 150,000 shares at 80¢ for one year.

Oct. 14, 1988, Dragon settled \$70,000 in debts by issue of 100,000 shares at 70¢ each to nine creditors.

July 22, 1988, Dragon sold by private placement to Yubex Investments Ltd. 300,000 shares at 70¢ each with a warrant on 300,000 shares at 80¢ to 22 July 89.

April 29, 1988, Dragon sold 272,727 flow-through shares at \$1.10 each for proceeds of \$300,000 to 1988 Tap-IV Resources Limited and on May 10, 1988 sold a further 272,727 flow-through shares at \$1.10 each for proceeds of \$300,000 to 1988 Tap-IV Resources Limited.