



January 3, 1989

To: All Registered Representatives
From: Douglas Hurst, Research
Subject: Stewart Gold Camp Update

Since the third Stewart Gold Camp report was published in mid-November a number of significant events have occurred which I will update for you.

1. **Calpine Resources (CLP-V) and Consolidated Stikine Silver (CKI-V)** released spectacular results from the initial drill program on their Eskay Creek Property. A second drill program was started at the end of November and an additional seven holes were drilled before closing down for the holidays. The first hole of the program, hole # 7, was drilled to intersect mineralization beneath hole # 6 which had an intersection of 96 ft. grading 0.752 oz Au/ton. Hole # 7 has two mineralized sections, one of 34.4 ft. grading 0.442 oz Au/ton and the other of 49.2 ft. grading 0.208 oz Au/ton.

The project operator Prime Explorations is of the opinion that gold mineralization is of a volcanogenic nature and hence has large tonnage implications. The indicated thickness of zones drilled to date imply that tonnage can be quickly added.

It should be noted that holes 3, 5, and 6 were abandoned in mineralization and so the thickness of mineralization is not known. These three holes were abandoned and deeper drilling was difficult because the holes caved in due to blocky ground. Calpine has now earned its 50% interest in the property. Drilling is expected to continue in the new year.

It should be noted that the second drill program completed before Christmas consisted entirely of holes which should confirm mineralization adjacent to hole #6. Subsequent drilling will test the zone further along strike and fill in gaps between previous drilling. Results from holes drilled along strike will have important economic implications. Remember that it takes a lot of drilling to confirm or disprove a deposit.

The property surrounding this new find is controlled by **Canarc Resources (CCM-V)** and Arc Resource Group. Calpine has now optioned Arc's 50% interest in the property and has also agreed to option 16.6% of Canarc's interest. Calpine will spend \$300,000 on exploration in the next year and will fund work through to production to earn its 16.6% interest from Canarc. The surrounding property is of great interest to Calpine because of claim fractions which appear to cross over the discovery zone.

2. **Delaware Resources (DLW-V)** has now completed its offer to acquire **Prime Capital**. Work continues on the SNIP Project with updated reserve figures expected soon. Assuming there are no holdups, Cominco and Delaware expect to produce gold from the SNIP Deposit by the fall of 1989.

3. **Echo Bay Mines (ECO-T)** completed its first phase of exploration on the Doc Property. Echo Bay is earning a 50% interest by spending up to \$8.0 million on exploration and development over 3 years and by presenting a feasibility study for production. **Magna Ventures (MVN-V)** and **Silver Princess (SVP-V)** will each have a 25% interest in the project.

Preliminary reserves outlined by Magna and Silver Princess were 470,000 tons grading 0.27 oz Au/ton and 1.31 oz Ag/ton. These reserves were calculated using data taken from diamond drilling and a few underground results. Underground sampling in three crosscuts across the Q17 vein averaged 0.47 oz Au/ton and 1.71 oz Ag/ton across 8.0 ft. This suggests that significant upgrading is possible when the zones are sampled in more detail. The recently completed program consisted of 770 ft. of drifting and 10,000 ft. of underground and surface diamond drilling. Results should be available in late Jan. or early Feb. The geological potential of this property is good.

4. A new discovery was made in mid-November on two properties just north of the SNIP Project. The new zone was first discovered in drilling on the claim block controlled by a joint venture between **Delaware (DLW-V)**, **Golden Band (GBN-V)** and **American Ore (AOE-A)** with Delaware as the project operator. Delaware managed an exploration program consisting of preliminary exploration and almost 6,000 ft. of drilling in ten holes. Five of these holes tested the Gorge showing which appears to cross the boundary onto **Meridor Resource's (MRO-V)** ground. One of these holes was drilled adjacent to the claim line and intersected four zones of mineralization. Results from that hole were 0.311oz Au/ton across 19.4 ft., 0.446 oz Au/ton across 12.5 ft., 0.25 oz Au/ton across 9.2 ft. and 0.920 oz Au/ton across 15.1 ft.

Meridor was in the midst of their second phase of drilling and was able to move their drill and test the extension of the new zone with six holes. Meridor has only released preliminary assays on two holes from the new zone. Hole # 48 intersected 4.6 ft. grading 0.511 oz/ton gold and hole # 60 intersected 22.3 ft. of 0.337 oz/ton gold.

It appears that a new discovery has been made in the Iskut River District though more work must be done to paint a better picture.

5. Granduc Mines (GDC-V) and Newhawk Gold Mines (NHG-T) updated reserves for the Sulphurets Project in late November.

<u>Reserves</u>	<u>Tons</u>	<u>Gold (oz/ton)</u>	<u>Silver (oz/ton)</u>
Measured & Indicated	304,044	0.387	26.19
<u>Inferred</u>	<u>550,028</u>	<u>0.335</u>	<u>21.15</u>
Total	854,072	0.354	22.94

* Note that these reserves are calculated using a cut-off grade of 0.2 oz/ton gold equivalent over a minimum mining width of 5 ft. The new cut-off grade is more conservative as the previous reserves were calculated using a cut-off of 0.15 gold equivalent.

These reserves were compiled from more detailed information than the previous figures. Newhawk, the project manager, spent the summer compiling and assessing data in order to understand the geological controls of mineralization. The West Zone, which contains the majority of the property's reserves, is very complex and will be a challenge to mine. A \$4.0 million program consisting of underground diamond drilling and development is expected to be complete by the end of February. Concurrently, work will continue on feasibility studies and mine design.

6. Skyline Explorations (SKX-T) has now started to resolve its problems at the Johnny Mtn. Mine. The new chief operating officer has been busy consolidating operations. Gold production has been steadily increasing since the official mine opening in August. The company hopes to have monthly production up to 4800 ounces per month in the first quarter of the year. Revised reserve figures which should be released in the first quarter, will be calculated using conservative guidelines. The mill head grades in mid-December averaged 0.61 oz/ton Au and gold recovery from the mill averaged 83%. The recovery and grade has steadily improved since production started in Aug/88.

7. Sulphurets Gold (SLE-V) and Western Canadian Mining (WCD-V) have decided to unitize their Kerr Property holdings into Sulphurets Gold. Western Canadian will sell its 70% interest in the Kerr Property to Sulphurets Gold in exchange for issued shares which will be equivalent to 70% of the outstanding shares of Sulphurets Gold. The partners feel unitizing their interests will make exploration and eventual development of the property more efficient.

Two million dollars of exploration over the past two years has outlined a large porphyry copper-gold system which Western Canadian estimates is 60.0 million tons of material grading 0.86% copper and 0.01 oz/ton gold.

8. **Crest Resources (CQR-V) and Magenta Development (MGT-V)** generated a little excitement at the end of November when they announced some encouraging surface results and their intention to start drilling in early December. The initial results from drilling were mediocre. Though the results were only fair, it should be kept in mind that this was the first pass of drilling and that a thorough exploration program is probably scheduled for the 1989 season. This is a project to watch during next years exploration season.

9. **Gulf Int'l Minerals (GIM-V)** spent \$1.1 million on exploration in 1988. The company has discovered significant gold mineralization in the NW corner of the property. The best intersections in last seasons drilling were 15ft. of 0.810 oz Au/ton and 16.1 ft. grading 0.645 oz Au/ton both from the same hole. Two properties which are properly located geologically are controlled by **Consolidated Sea Gold (CDE-V)** and **Jazzman Resources (JZM-V)** .

This is a play to watch for three reasons; 1) good past exploration results from the property, 2) Gulf Int'l has a moderate to high profile in the area, 3) Gulf can raise funds for exploration.

10. The new mineralized district within the Stewart Gold Camp, the **Galore Creek District**, will have its first season of substantial exploration in 1989.

Two companies with substantial holdings of geologically interesting properties are **Continental Gold (CUG-V)** which has made preliminary plans to amalgamate with United Lincoln and **Pass Lake Resources (PLJ-V)**. Continental Gold did a \$1.3 million exploration program in 1988 with mediocre results. The property is very large and has a number of mineralized occurrences which have yet to be properly explored. Pass Lake has a number of claim groups in the district and plans to option some of them to interested parties.

Another project which is of interest is the Paydirt which is being explored by **Longreach Resources (LRR-V)** which is earning a 50% interest from **Consolidated Silver Standard (CDS-V)** by spending \$700,000 on exploration by Dec. 31/90. Longreach has spent \$240,000 on work to date. Preliminary inferred reserves on the property are 200,000 tons grading 0.17 oz/ton gold. Longreach hopes to fund an exploration program in 1989.

Many major mining companies have staked claims in the Galore Creek District for two reasons; 1) They missed most of the action in the Iskut and Sulphurets districts, 2) Geologically the area has the same potential as the other regional plays. Some of these majors are; Teck Corp., Corona Corp., Cominco Ltd., Homestake Mineral Dev., and Equity Silver Mines.

* * * * *

The Stewart Gold Camp will continue to be one of the most exciting regional exploration plays in North America.

* * * * *

Douglas Hurst
Research

* * * * *

Statistics and factual data in this circular are from sources we believe to be reliable but their accuracy cannot be guaranteed. Neither the information nor any opinion expressed constitutes a solicitation for the purchase or sale of securities. Directors of McDermid St. Lawrence Limited and any of its employees or members of their families may, from time to time, invest in the securities mentioned in this circular.