

DK / LD

019494

Istut River
104B/10, 15 1046/2

This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale 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.

104B, 310/311, 313
DATED: JULY 31, 1989

PROSPECTUS

KESTREL RESOURCES LTD.

(hereinafter called the "Issuer")
1124 - 470 Granville Street
Vancouver, British Columbia
V6C 1V5

PUBLIC OFFERING: 1,400,000 Shares Without Par Value

Shares	Price to Public(1)	Commission	Net Proceeds to be received by the Issuer (2)
Per Share	\$ 0.55	\$ 0.05	\$ 0.50
Total	\$ 770,000	\$ 70,000	\$ 700,000

- (1) The price to the public was determined by negotiation between the Issuer and the Agents.
- (2) Before deduction of the costs of the issue estimated to be \$15,000.

There is no market through which these securities may be sold.

A purchase of the securities offered by this Prospectus must be considered as speculation. All of the properties in which the Issuer has an interest are in the exploration and development stage only and are without a known body of commercial ore. No survey of any property of the Issuer has been made and, therefore in accordance with the laws of the jurisdiction in which the properties are situate, their existence and area could be in doubt. See "Risk Factors".

The Vancouver Stock Exchange has conditionally listed the securities being offered pursuant to this Prospectus. Listing is subject to the Issuer fulfilling all the listing requirements of the Vancouver Stock Exchange on or before February 12, 1990, including prescribed distribution and financial requirements.

No person is authorized by the Issuer to provide any information or to make any representation other than those contained in this Prospectus in connection with the issue and sale of the securities offered by the Issuer.

Upon completion of this Offering this issue will represent 28.6% of the shares then outstanding as compared to 27.9% that will then be owned by the controlling persons, promoters, directors and senior officers of the Issuer and associates of the agents. See "Principal Holders of Securities" for details of shares held by directors, promoters and controlling persons and associates of the agents. After giving effect to this Offering, the Offering Price per share exceeds the net tangible book value per share as at April 30, 1989 by \$0.43 representing a dilution factor of 57.3%.

One or more of the directors of the Issuer has an interest, direct or indirect, in other natural resource companies. See "Directors and Officers" for a comment as to the resolution of possible conflicts of interest.

The Agents have agreed to purchase from their respective portions of the Offering any Shares not sold at the conclusion of the Offering. In consideration therefor, the Agents have been granted non-transferable share purchase warrants. This Prospectus, therefore, also qualifies the issuance of the Agents' Warrants and qualifies for sale any Shares which the Agents may acquire pursuant to their guarantee. See "Plan of Distribution".

We, as Agents, conditionally offer these securities subject to prior sale, if, as and when issued by the Issuer and accepted by us in accordance with the conditions contained in the Agency Agreement referred to under the heading "Plan of Distribution" in this Prospectus subject to approval of all legal matters on behalf of the Issuer by O'Neill & Bence.

Name & Address of Agents

CONTINENTAL SECURITIES
10th Floor,
1055 Dunsmuir Street
Vancouver, British Columbia
V7X 1L4

CANARIM INVESTMENT CORPORATION LTD.
Suite 2400,
609 Granville Street
Vancouver, British Columbia
V7X 1H2

EFFECTIVE DATE: August 16, 1989

623

Rwd 10/04/89

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KESTREL RESOURCES LTD.

1988 SUMMARY REPORT

ISKUT RIVER MINERAL CLAIMS

Located in the Iskut River Area

Liard Mining Division

British Columbia

NTS 104 B 10

104 B 15

104 G 2

between

56° 42' and 57° 10' North Latitude
130° 40' and 130° 55' West Longitude

prepared for

Kestrel Resources Ltd.

by

JOHN BUCHHOLZ, GEOLOGIST

JANUARY 31, 1989

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INTRODUCTION

Kestrel Resources Ltd. acquired a large number of modified grid claims during the winter to late summer months of 1988.

These claims were staked in the Iskut River region, in an area of intense exploration activity on the basis of favorable geology insofar as it was possible to determine such from available geological maps and publications. The claims were acquired at the initiative of I. Hagemoen and partners, and subsequently transferred to Kestrel Resources Ltd.

It was decided early in the staking program that an immediate stage of prospecting and evaluation would be necessary in order to assess the potential of the various claim blocks and in order to control to some degree financial requirements of such large mineral land holdings. Accordingly, Kestrel arranged for contract personnel supplied by Rangex Services of Vancouver, B.C. to initiate a basic prospecting and sampling program beginning July 2, 1988. The program consumed a budget of approximately \$250,000 Cdn., employed an average number of five field personnel and was supported by both fixed and rotary wing aircraft. The field program was completed on 9 October and resulted in a total of slightly over 1000 samples collected for analysis and assay. The cost per sample collected for analysis is approximately \$250 - an excellent ratio when applied to aircraft supported remote area exploration programs.

Location of the samples collected is indicated on the various maps attached to this summary. Results of analyses of

samples collected are shown in appendix III in the form of Vangeochem ICP, geochemical and fire assay reports.

The basic exploration program has yielded a total of five significant gold-silver properties, all of which are new discoveries and all of which were defined as a direct consequence of the completion of the work program described above. Significant gold mineralization and/or gold-silver, or silver mineralization occurring on the six properties varied in values.

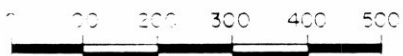
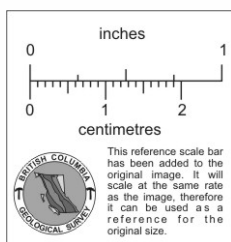
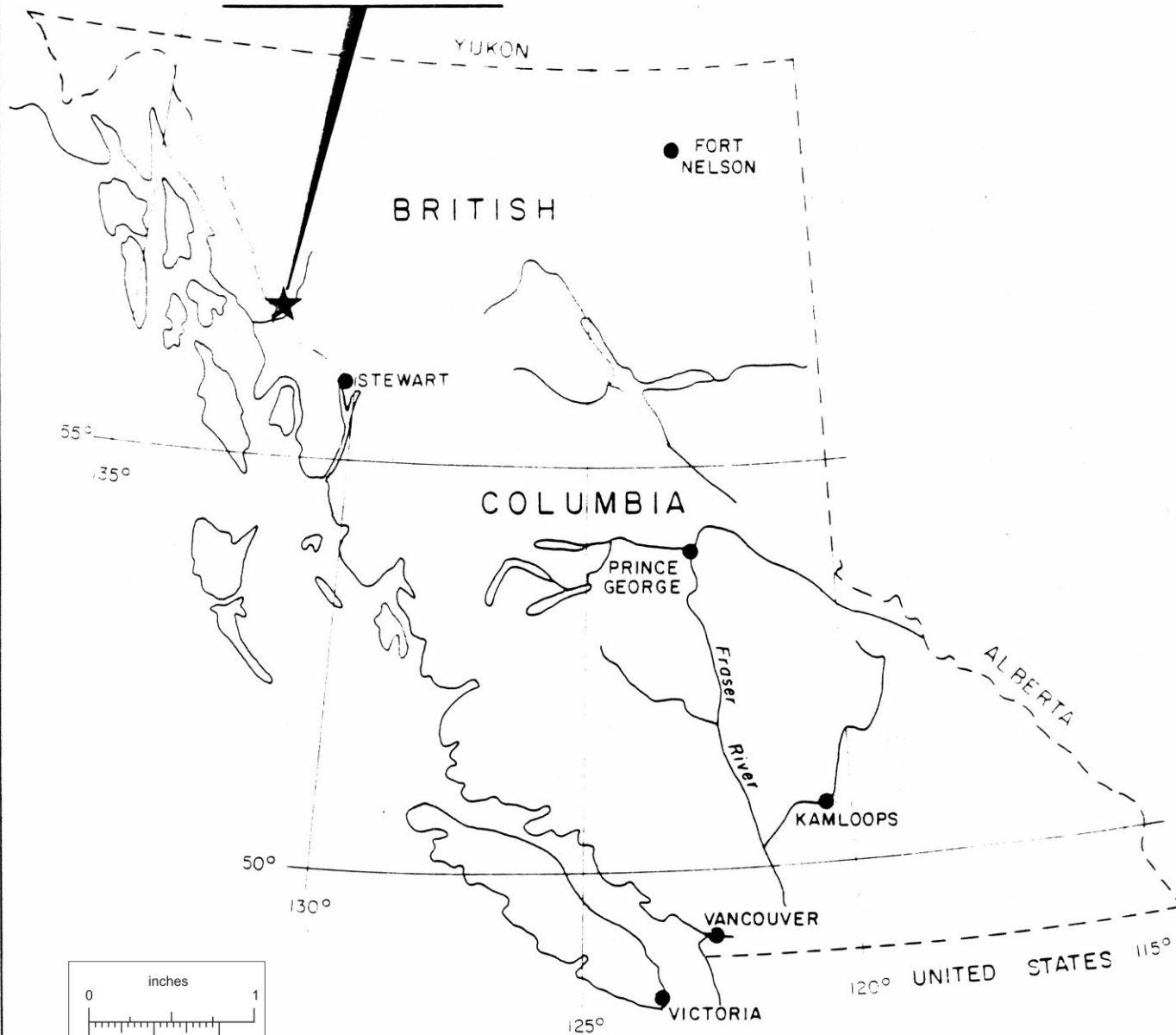
	Au (g/tonne)	Au/Ag (g/tonne)	Ag (g/tonne)
from	1.2	4.2 / 53.1	162.5
to	14.2	12.8 / 193.7	4995.3

A detailed description of each of the six significant properties, as well as a discussion of the results obtained, is provided under Property Geology and Discussion of Results.

LOCATION, ACCESS AND GEOGRAPHY

Kestrel Resources Ltd.'s claims presently under examination are located approximately 210 kilometers north of Stewart, British Columbia, and 130 kilometers northeast of Wrangell, Alaska. The claims lie within the Liard Mining Division and are bounded by north latitudes of 57° 10' and 56° 42' and west longitudes of 130° 40' and 130° 55' on NTS map sheets 104B/10, 104 B/15, 104G/2. This relates topographically to the boundaries of the headwaters of Mess Creek on the north to the Iskut River on the south and Forrest Kerr Creek on the east to Johnson Creek on the west.

ISKUT RIVER MINERAL CLAIMS



KESTREL RESOURCES LTD

ISKUT RIVER MINERAL CLAIMS

INDEX MAP

LIARD MINING DIVISION, B.C.

RANGEX SERVICES

Drawn By: Meridian Map

Scale 1:10,000,000

Date: December 1988

FIG.

1

The northern properties are serviced from the Forrest Kerr airstrip (lat. 130° 48'N long. 56° 56'W), while the southern claims are accessed from Bronson Creek airstrip (lat. 131° 07'N long. 56° 41'W). Access locally is by helicopter or foot traverse. Fixed wing aircraft to both strips is available from Smithers, Terrace, or Wrangell.

Topographically, the area is rugged, ranging in elevations from 100 meters on the Iskut River to 2000 meters, 4 kilometers southeast of Forrest Kerr airstrip. The area is characterized by glaciers and, at higher elevations, by permanent snow fields. A considerable portion of the claims is above tree line (1,000 meters), while, at lower elevations, spruce and alder represent the general vegetation.

The area receives moderate to heavy precipitation, the field season extending from mid June to late September, with maximum rock exposure occurring the end of August.

AREA HISTORY

There is no recorded work from the Iskut River region prior to 1907 when a staking party from Wrangell, Alaska, recorded nine mineral claims north of Johnny Mountain. Iskut Mining Company worked these crown granted claims undertaking trenching and drifting on veins yielding galena, gold and silver. The 1917 Minister of Mines annual report states the Iskut Mining Company shipped a ton of ore which yielded, in 1917 currency, \$1.20 in gold, 44.2 ounces of silver and 12.45 percent copper.

Hudson Bay Mining & Smelting Ltd. located high grade gold, silver and lead in float during 1954. This was known as the Pick Axe showing and forms part of Skyline Explorations Stonehouse Gold deposit on Johnny Mountain.

Throughout the 1960's several major mining companies undertook exploration programs in the Johnny Mountain and Sulphurets Creek region. This work resulted in the discovery of several porphyry copper-molybdenum targets. Cominco completed several core holes on Johnny Mountain in 1965.

Skyline staked the Inel property in 1969 following the discovery of massive sulphide in float on the Bronson Glacier and later in 1980 restaked the Reg property. During the period of 1981 to present Skyline has developed both these properties discovering high grade veins and polymetallic massive sulphide mineralization on the Inel and Reg properties.

As of January, 1988, GROVE, E.W., reported reserves from the Stonehouse Gold Deposit of 851,170 tonnes grading 25.0 Au g/tonne 29.1 Ag g/tonne and 0.76% Cu.

Delaware Resources Ltd. completed 10,000 meters of diamond drilling on their Cominco Snip Claims located directly north of the Stonehouse Gold Deposit. This exploration work resulted in estimated reserves of 997,810 tonnes grading 24.0 Au g/tonne. During the 1988 season an underground program was initiated on this deposit.

Newmont Mining Corporation of Canada Ltd. staked 324 claims (Dirk Claim Group) west of Newmont Lake in 1962. An exploration

program of geological mapping, airborne and ground magnetics survey, sampling, and diamond drilling was conducted to explore the skarn type mineralization discovered on the Dirk and Ken showings. Intersections of 0.23% Cu and 3.4 Ag g/tonne over 15.85 meters were reported from the Ken showing. While Hole 4 on the Dirk showing returned assays of 0.30% Cu over 1.83 meters.

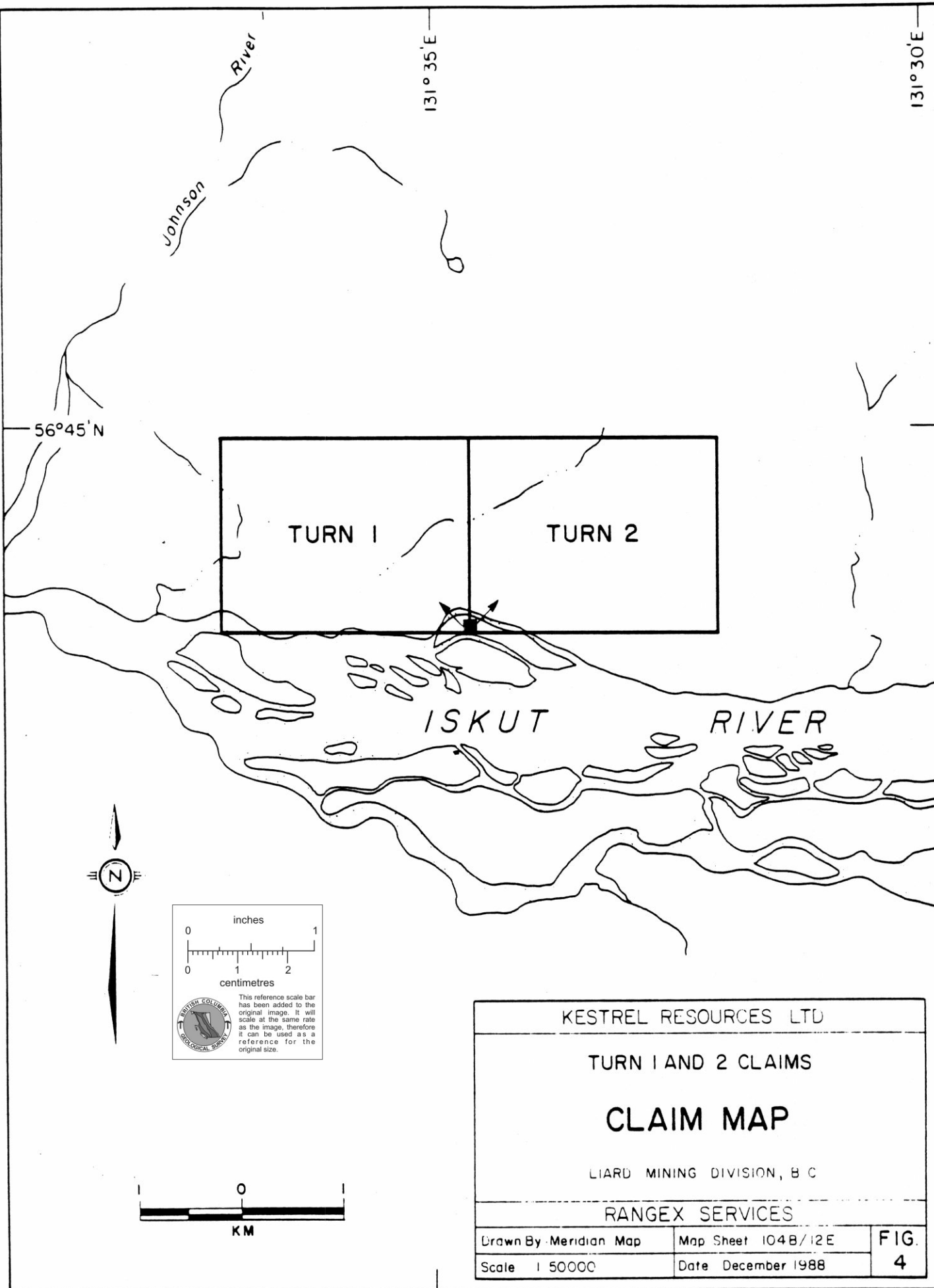
Gulf International Minerals staked the McLymont claims south of Newmont Lake in 1986. These claims had been staked by Dupont Canada Explorations Ltd. in 1980 as the Warrior claims and optioned to Skyline Explorations Ltd. and Placer Development Ltd. Exploration has extended the existence of quartz - pyrite - chalcopyrite veins which retain values of up to 102.8 Au g/tonne. Gulf International Minerals has conducted extensive diamond drilling on the McLymont claims reporting in their 1987 Annual Report, drilling results of up to 55.0 Au g/tonne, 1362.1 Ag g/tonne and 0.97% Cu over 11.12 meters.

A number of exploration companies examined claims in the Arctic lake area approximately 75 kilometers north of the Skyline Cominco deposits.

Kennco Exploration conducted a program of geological mapping on the Bam Claim group in 1965. Mitsui Mining and Smelting Co. Ltd. undertook geological mapping and silt sampling in the Arctic and Big A Groups during 1968.

PROPERTY AND LIST OF CLAIMS

The property held by Kestrel Resources Ltd. consists of 1024 units within 67 claims located as indicated in Figures 3 and 4.



Expiry dates, record dates and other pertinent information follow:

PROPERTY AND LIST OF CLAIMS

CLAIM NAME	RECORD NO.	NO. OF UNITS	RECORD DATE	YEAR OF EXPIRY
ARC 1	4490	3	FEB. 24, 1988	1989
ARC 2	4491	20	"	1989
ARC 3	4492	20	"	1989
ARC 4	4493	20	"	1989
ARC 5	4494	5	"	1989
ARC 6	4495	6	"	1989
ARC 7	4496	10	"	1989
ARC 8	4497	20	"	1989
ARC 9	4498	20	"	1989
ARC 10	4499	20	"	1989
TIC 2	4501	15	FEB. 24, 1988	1989
TIC 3	4502	20	"	1989
TIC 4	4503	16	"	1989
TIC 5	4504	20	"	1989
TIC 6	4505	20	"	1989
TIC 7	4506	12	"	1989
TIC 8	4507	20	"	1989
TIC 9	4508	12	"	1989
B 1	4516	12	MAR. 15, 1988	1989
B 2	4517	20	"	1989
KRL 1	4518	20	"	1989
KRL 2	4519	20	"	1989
KRL 3	4520	20	"	1989
KRL 4	4521	20	"	1989
KRL 5	4522	20	"	1989
KRL 6	4523	20	"	1989
M&M 1	5017	20	JULY 27, 1988	1989
M&M 2	5018	20	"	1989
M&M 3	5019	20	"	1989
M&M 4	5020	10	"	1989
M&M 5	5021	20	"	1989
M&M 6	5022	20	"	1989
M&M 7	5023	20	"	1989
M&M 8	5024	16	"	1989
HOO 2	5004	15	"	1989
HOO 4	5001	8	"	1989
DOO 2	5003	15	"	1989
DOO 4	5002	8	"	1989

PROPERTY AND LIST OF CLAIMS con't.

CLAIM NAME	RECORD NO.	NO. OF UNITS	RECORD DATE	YEAR OF EXPIRY
Rest 1	3981	20	MAR. 10, 1987	1989
Rest 2	3982	20	"	1989
Rest 3	3983	16	"	1989
Rest 4	3984	16	"	1989
Rest 5	3985	16	"	1989
Rest 6	3986	16	"	1989
B 1 North	5165	20	AUG. 29, 1988	1989
B 2 North	5166	10	"	1989
HOT 1	3912	20	FEB. 19, 1987	1990
TURN 1	3972	20	MAR. 10, 1987	1989
TURN 2	3973	20	"	1989
MON 3	3995	18	MAR. 26, 1987	1990
MON 4	3996	18	"	1990
MON 5	3997	20	"	1990
MON 6	3998	20	"	1990
KER 1	4744	12	JUNE 28, 1988	1989
KER 2	4745	12	"	1989
KER 3	4746	8	"	1989
KER 4	4747	8	"	1989
KER 5	4748	10	"	1989
KER 6	4749	4	"	1989
KER 7	4750	4	"	1989
KER 8	4751	12	"	1989
KER 9	4752	12	"	1989
KER 10	4753	3	"	1989
NEW 1	4741	6	JUNE 28, 1988	1989
NEW 2	4742	20	"	1989
NEW 3	4743	20	"	1989
TWIN 3	5164	18	AUG. 29, 1988	1989

67 claims

1024 units

REGIONAL GEOLOGY

The area underlying the various mineral claims summarized in this report is within a complex geological setting of the Circum-Pacific orogenic belt of North America. Specifically it forms a part of the geological setting defined by Grove as the Stewart Complex. Grove E.W. (1986) states the following:

LEGEND

SEDIMENTARY AND VOLCANIC ROCKS

CENOZOIC

QUATERNARY RECENT

20 Unconsolidated glacial and fluvial clay, silt, sand, gravel; till; peat, muskeg

19 Tufa, hot spring deposits

18 Olivine basalt, ash, cinders

TERTIARY

PLEISTOCENE AND (?) EARLIER

17 Basalt, rhyolite, ash, tuff, agglomerate; locally may include 16; 17a, rhyolite, pisolitic siliceous tuff, chalcodonic rhyolite breccia

EOCENE

16 Basalt, rhyolite and associated volcanic rocks; minor conglomerate, sandstone, shale

CRETACEOUS AND TERTIARY

UPPER CRETACEOUS AND PALEOCENE

15 Conglomerate, sandstone, shale, minor coal

CRETACEOUS

POST LOWER CRETACEOUS

14 Volcanic rocks, breccia

JURASSIC AND CRETACEOUS

UPPER JURASSIC AND LOWER CRETACEOUS

12 Argillite, greywacke, conglomerate, coal; 12a, andesite, chert; tuff, conglomerate, shale, greywacke

JURASSIC

LOWER AND MIDDLE JURASSIC

11 Conglomerate, greywacke, grit, siltstone, shale; 11a, may include younger rocks

TRIASSIC

8 Tuff, siltstone, limestone, conglomerate, breccia

PERMIAN AND/OR TRIASSIC

7 7, Volcanic and sedimentary rocks undivided; 7a, mainly andesitic and basaltic volcanic rocks; flows, breccia, tuff breccia, tuff; 7b, mainly greywacke, siltstone, conglomerate; 7c, mainly limestone

MESOZOIC

CRETACEOUS AND /OR EARLIER PRE UPPER CRETACEOUS

13 Mainly volcanic rocks; minor conglomerate, greywacke; chert, argillite

JURASSIC AND /OR EARLIER PRE UPPER JURASSIC

9 10 9. Mainly volcanic rocks; minor conglomerate; greywacke, argillite
10. Mainly sedimentary rocks

PALAEOZOIC

PERMIAN AND (?) EARLIER

- 6 Limestone, greenstone, chert, argillite, phyllitic quartzite, greywacke; meta-andesite and meta-diorite locally abundant near ultramafic bodies. May include younger greenstone; 6a, Carboniferous or Permian, mainly andesitic flows, breccia, tuff; minor sedimentary rocks

DEVONIAN AND MISSISSIPPIAN

UPPER DEVONIAN AND MISSISSIPPIAN

- 5 Chert, argillaceous quartzite, argillite, greywacke, greenstone, conglomerate, limestone

DEVONIAN

MIDDLE DEVONIAN

- 4 Limestone, dolomite, quartzite

ORDOVICIAN AND SILURIAN

UPPER ORDOVICIAN AND LOWER SILURIAN

- 3 Limestone, cherty limestone, quartzite, red and green chert, shale

CAMBRIAN AND ORDOVICIAN

MIDDLE AND (?) UPPER CAMBRIAN, LOWER AND MIDDLE ORDOVICIAN

- 2 Shale, phyllite, slate, calcareous slate, limestone

CAMBRIAN

LOWER CAMBRIAN

- 1 Limestone, dolomite, quartzite, slate, phyllite

INTRUSIVE ROCKS

- A Felsite, felsite porphyry
- B Mainly quartz monzonite, granodiorite, granite
- C Mainly diorite; minor gabbro
- D Granite porphyry, granophyre, syenite and related rocks
- E Serpentinite, peridotite; locally includes meta-andesite and meta-diorite

METAMORPHIC ROCKS

TRIASSIC OR EARLIER

F Phyllite, sericite schist, hornfels, granulite, fine-grained biotite-hornblende gneiss; Fe, may include or be equivalent to 9

PERMIAN AND/OR EARLIER

PRE MIDDLE PERMIAN

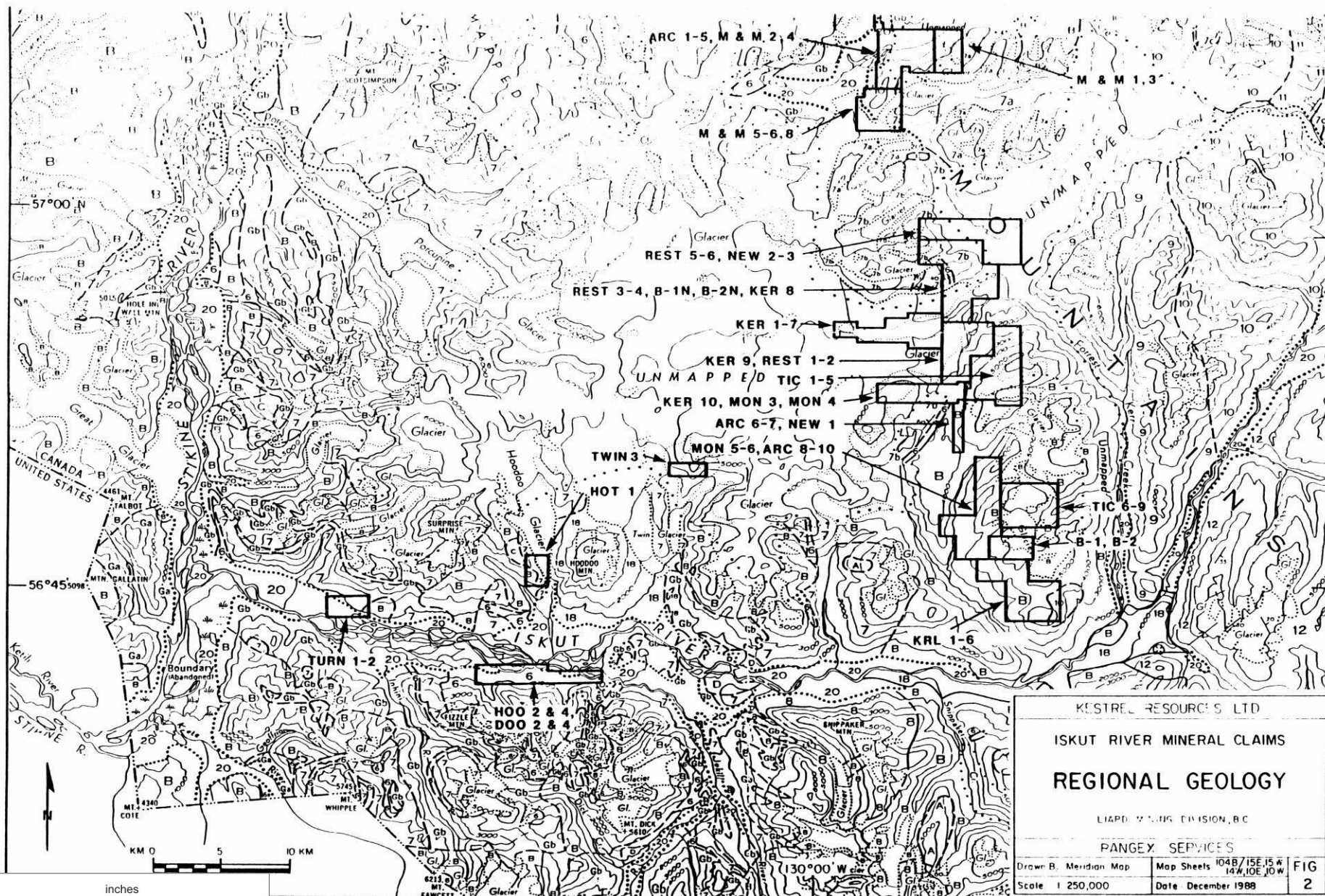
G Ga, Gneiss; Gb, phyllite, quartzite, minor crystalline limestone, highly altered and sheared greywacke and volcanic rock

MAINLY CARBONIFEROUS AND PERMIAN

H Biotite-quartz-feldspar gneiss, biotite-muscovite schist, crystalline limestone, greenstone, quartzite, phyllite

MISSISSIPPIAN AND EARLIER

J Gneiss, schist, crystalline limestone, crystalline dolomite, quartzite



"The Stewart Complex lies along the contact between the Coast Plutonic Complex on the west, the Bowser Basin on the east, Alice Arm on the south and the Iskut River on the north."

Government workers have attempted, since 1948, to clarify relationships and assign ages to the various lithological units of the area, and to trace structural events affecting these units. This work has not been entirely successful, however, due to the extremely inaccessible terrain and difficult physical conditions confronting workers.

Mineral exploration studies carried out by private companies have added significantly to the geological knowledge of the area, but are not generally available publicly. Work completed by Kerr, 1948, G.S.C. Memoir 246; G.S.C. maps 9-1957 and 1418 - 1979 - "Iskut River", form the basis of government mapping. Private companies active in the area since the early 60's include Newmont, Kennco, Cominco, Skyline and others too numerous to list.

The oldest known rocks of the area are limestone, dolomite and low grade metamorphosed sediments (quartzite, slate, phyllite) of lower Cambrian age that have been correlated with the Cache Creek Group prevalent in the southern half of the province. The limestone unit contains fossil crinoids and is unconformably overlain by upper Triassic Hazelton Volcanics and sediments. Bivalve fossils found west of Newmont Lake date these rocks as late Triassic and correlation of these rocks with both Stuhini volcanics and Unuk River formation has been attempted by

various workers. Skyline's Stonehouse and Inel deposits occur within this unit.

Overlying the Triassic Hazelton volcanic-sedimentary assemblage is a similar group of volcanic-sedimentary rocks of middle Jurassic age tentatively named the Betty Creek Formation.

Cretaceous to Tertiary Coast Plutonic intrusions of granite, granodiorite, and diorite occupy large portions of the map area. In addition smaller bodies of monzonite or syenite as well as subvolcanic acidic porphyries are sparsely distributed.

Tufa, hot spring deposits and pyroclastic material of Pleistocene and Recent age occur at several localities within the area, notably at Hoodoo Mountain.

The foliated rocks, present in the area are not of great lateral extent and owe their origin to deformation metamorphism, rather than high temperature regional metamorphism.

Structurally, the map area is bisected by a prominent thrust fault along the Iskut River from Forrest Kerr Creek to the Stikine River Junction. The thrust separates unconformably, Mississippian-Pennsylvanian rocks from middle Jurassic strata and is thought to override rock formations to the south. Regionally, a dominant northeast trending and a subdominant northwest trending fault system complicate the local geology, especially where folding of the strata, which is common, has occurred.

Early investigations by exploration companies concentrated on porphyry copper type deposits, but there are numerous other

possibilities for the discovery of economic deposits. Among these are the following:

- | | |
|--|----------------------|
| 1) Shear related vein type | - Au |
| 2) Stockwork quartz vein type | - Au |
| 3) Contact Skarn type | - Au, Ag, Cu, Pb, Zn |
| 4) Intrusion associated Gold type | - Au, Ag |
| 5) Schist related disseminated Gold type | - Au, Ag |

PROPERTY GEOLOGY

A large portion of the claims held by Kestrel is underlain by intrusive rocks of intermediate composition and deep-seated plutonic origin. These intrusives have everywhere been exposed by erosion at higher elevations and are flanked by a variety of sedimentary - volcanic rocks ranging in composition from limestone to basalt. The volcanic-sedimentary rocks have a northeasterly trend, regionally, are cut by a northeast as well as a northwest regional fracture system and occupy a considerable vertical range where topography and erosion combine to preserve original boundaries. The regional geological compilation (Fig. 5) shows the distribution of the various rock units within the claim blocks, but is incomplete insofar as the northern portion of the claims (Arc group etc.) did not receive sufficient coverage to allow a reasonable definition of the regional geology to be compiled. The compilation work has defined nine major lithological units together with related subdivisions grouped as required and as indicated on Fig. 5.

Ages of the various lithological units are estimates based on previous work completed by the G.S.C. A brief description of each of the major units is presented herewith.

1) BASALT

Localized in distribution it occurs southwest of the headwaters of the Forrest Kerr Creek. It is probably of Tertiary age and consists of black to grayish brown porphyritic flows of undetermined thickness not exceeding 150 meters. It is commonly highly weathered and friable and occasionally contains narrow localized fractures sometimes completely healed with jasper, chalcopyrite, hematite, pyrite, and carbonate as well as oxidized minerals such as limonite and malachite.

2) ANDESITE

This unit is moderately extensive in distribution occurring southwest of the headwaters of Forrest Kerr Creek and again on Tic 7-8, and B1 mineral claims. It is thought to be of Triassic age and may belong to the Stuhini formation. It consists of andesitic flows, tuffs, breccias and pyroclastic rocks of indeterminate thickness but certainly exceeding 450 meters. Hand specimens exhibit intermediate colors, massive to porphyritic textures as well as extensive autobrecciation and flow features when not pyroclastic. Heated lapilli tuffs and fused breccias and agglomerates probably make up a large proportion of the pyroclastic rocks of this unit.

3) ARGILLITE-CALCAREOUS SEDIMENTS

The unit is well represented south of the headwaters of Forrest Kerr Creek and west of the junction of this same creek with the Iskut River. It appears to be in faulted contact with the underlying andesite and is thought to be of mid Jurassic age. Rocks of this unit vary from shale and argillite to cherty and calcareous sediments including siltstone, sandstone and minor greywacke. Layering and the clastic nature of this unit are usually quite evident, although hydrothermal fluids and other agents sometimes obliterate primary textures completely. The thickness of this unit is probably in excess of 750 meters and may be as much as 2000 meters if repetition of strata does not occur.

4) LIMESTONE

Forming remnants within mid Jurassic sediments and composed of fossiliferous limestone and dolomite as well as recrystallized limestone these rocks are not widely distributed, but are nevertheless good host rocks for economic mineralization. They are known to be of Paleozoic age - specifically Permian. These rocks are invariably tilted and or folded, and where fossiliferous, contain well preserved crinoid specimens. Both Kerr 10 prospect and Tic 8 prospect are associated with this unit.

5) SYENITE - MONZONITE - RHYOLITE

Not widely distributed, these rocks form small bodies near the perimeter of larger plutonic masses from which they

have been derived. Where seen they appear fine grained, pink to light brown in colour and without extensive weathering or alteration. When intruded into surrounding volcanic-sedimentary assemblages they appear to be good host rocks for potential economic mineralization including gold and silver deposits. The unit represents a late stage of magmatic segregation and is thought to be of Tertiary age.

6) FELDSPAR PORPHYRY

Feldspar Porphyry is found as small to large masses within the intrusive complex as magmatic segregations of the Coast Pluton. It consists of light coloured, medium to coarse textured porphyritic phases, containing medium to large, well formed, pale white, essentially unaltered, plagioclase phenocrysts within a greyish, felsic ground-mass. The largest body of feldspar porphyry occurs east of Newmont Lake where it is exposed below the glacier on a northerly trending slope. Sulphide or metallic mineralization, so far as is known, is not present in significant amounts within this unit.

7) GRANITE - DIORITE

Rocks varying in composition from granite to granodiorite to quartz diorite to diorite form the core of the Coast Pluton Batholith. They are generally relatively unaltered, except where surface weathering has modified feldspar and mafic minerals, and often display textural and compositional zoning toward the center of the intrusive

body. This zoning consists of a change in the size of the felsic and mafic phenocrysts alternating from fine to coarse grained, as well as an increase (or decrease) in mafic mineral content and accompanying change in feldspar composition. Dykes of andesite with varying attitudes and dimensions commonly fill late stage ruptures and fractures within the intrusive. Quartz veins, though generally not closely spaced nor well mineralized with sulphides, sometimes form weak open stockworks and carry significant gold mineralization on at least one prospect. As might be expected, the upper ridges and slopes often consist of rocks of granitic composition.

8) ULTRAMAFIC ROCKS

Ultramafic rocks are not commonly found within the area covered by Kestrel's claims. The writer did not see these rocks in place but did see hand specimens of medium grained pyroxenite taken from small bodies within the intrusive complex south of the headwaters of Forrest Kerr Creek. These bodies are undoubtedly dykes of very basic composition occurring too infrequently to be of any economic significance.

9) METAMORPHIC ROCKS

Metamorphic rocks consist of phyllite, argillaceous schists, and chlorite-mica schists. They occur west of the junction of Forrest Kerr Creek with Iskut River and in one or two places within the northern claim blocks. They are

thought to be of Triassic age and occupy a sequence in excess of 500 meters in thickness. They exhibit tight microfolds and two stages of quartz mineralization - one parallel to the foliation; one cutting the foliation. The latter stage appears to be host to sulphide and gold mineralization. On the south claims, these rocks form an apparent tight syncline whose axis trends northeast and plunges to the northeast.

DISCUSSION OF RESULTS

A total of 1053 rock chip samples were collected and analyzed during the 1988 field season. In addition approximately 200 soil samples and 100 stream samples were also gathered. Sample site location was determined by routinely sampling areas of interest along planned foot traverses designed to provide optimum coverage considering access, geology, rock exposure and elevation. Most traverses, therefore, were completed above timberline at higher elevations or within glaciated terrain and maximum outcrop at lower elevations. Areas within tree line generally yielded very few sample sites with the exception of bluffs and creek canyons which were not normally accessible in any case. Sample distribution is unevenly scattered over the map area which covers a total of approximately 250 square kilometers, yielding a sample density of between 4 and 5 per square kilometer. The ratio is misleading however, since large areas did not receive any sampling while others were sampled at a frequency 3 or 4 times greater than normal.

Samples collected were sent to Vangeochem Lab Limited of Vancouver, B.C. and analyzed for Au and Ag and in a small number of samples for Cu, Pb and Zn employing standard laboratory techniques. In a few cases 30 element I.C.P. analyses were obtained. All of the results obtained by Vangeochem are attached to this report.

A statistical study of the data collected was not carried out as part of the 1988 field season work. Such a study requires complete data both geological and geochemical, which have only recently been compiled. Accordingly, it is not readily apparent whether a correlation exists between the various rock divisions and differing geochemical background values; whether areas favorable or unfavorable for mineral exploration may be outlined by means of refined geochemical data or whether other useful geochemical trends exist to aid in pin-pointing specific mineral exploration targets.

A brief examination of the geochemical data will reveal that Au background values vary from less than 5 ppb to about 10 ppb, the lower detection limit being 5 ppb. Values in excess of 80 ppb are considered anomalous with values in excess of 400 ppb strongly anomalous. The highest values obtained occurred in samples taken from Tic 2-4 mineral claims, where four samples yielded in excess of 10,000 ppb, this being the upper detection limit.

Similarly background values for Ag varied from 0.1 ppm to about 2.0 ppm with 0.1 ppm being the lower detection limit.

Values over 10 ppm are anomalous and those over 30 ppm strongly anomalous. Highest Ag values were obtained from Kerr 10 prospect where numerous trench samples yielded values in excess of 50 ppm this being the upper detection limit.

Follow-up work was completed only in areas of strongly anomalous results with the exception of Twin 1 - 3 prospect which did not return values greater than 80 ppb Au, but which, due to the presence of numerous quartz veins, is of significance geologically.

B1 NORTH - KERR 8 GOLD PROSPECT

LOCATION:

Prospect No. 1, Fig. 5

Located at the headwaters of the north arm of the Forrest Kerr Creek below the toe of the glacier easterly for a distance of 1 kilometer or more and within glaciated terrain. Elevations range from 600 meters to 1128 meters to the ridge south of the property and 1463 meters to the ridge north of the property. To the west glacier extends for many kilometers.

DESCRIPTION:

Gold mineralization associated with pyrite, minor chalcopyrite, bornite, chalcocite?, malachite, azurite, minor limonite in iron carbonate, dolomite and quartz gangue occurs within an assemblage of essentially volcanic rocks intruded by monzonite of considerable extent. It is evident from rock distribution that the monzonite is exposed by erosion to a shallow depth near it's upper surface and that the mineralization

is related to fracturing controlled by the intrusion of the monzonite.

Mineralization occurs within two distinct moderately weakly developed fracture systems trending between 000 - 040/90 and 090 - 130/90. The northwesterly trending system appears to be more strongly mineralized. Drag "folding" of fracture sets both east-west and north-south shows normal displacement which, where observed, does not exceed 15 - 20 centimeters. Both sets are thought to display strike slip movement as the main component of displacement although, some evidence for dip slip displacement may be observed. Highest assay to date returned 4800 ppb Au.

SAMPLE RESULTS:

A total of 103 samples taken from this prospect returned 29 anomalous readings with values of 400 ppb Au or greater. Of these, 12 samples yielded values greater than 1090 ppb Au. Silver values ranged to 19.3 ppm. Results of the 12 significant samples - including resamples - are tabulated below:

<u>Sample No.</u>	<u>Description</u>	<u>Width</u>	<u>Ag ppm</u>	<u>Au ppb</u>
32397	NW qtz-carb fract.	Grab	1.5	1090
32535	Qtz-carb fract Monz.	"	7.4	4800
32778	NW qtz-carb, Py stringer	"	11.0	1520
32790	Qtz-carb fract. Monz.	"	1.1	2400
32860	Resample 32790	"	2.9	4200
32863	NW qtz-carb fract.	"	5.5	2750
32867	Resample 32778	"	7.0	1090
32872	NW qtz-carb fract.	"	3.1	1350
32881	Resample 32397	"	1.9	1260
32885	Resample 32535	"	6.1	4400
32887	Resample 32535 vicinity	"	4.4	3100
32889	Resample 32535 vicinity	"	5.2	3500

These samples are spread over a distance of approximately 1000 meters east-west on the north side of Forrest Kerr Creek.

WORK COMPLETED:

Prospecting, rock sampling and geological mapping. See attached maps.

WORK PROPOSED:

Three phases:

1. Establish grid with close spacing 25.0 meter lines with sample stations at 25 meter intervals, collect rock samples at each station, analyze for gold, silver.
2. Extend and enlarge area using grid as control.
3. Channel sample any anomalous zones.

Success depends on the number of and spacing of mineralized fractures as well as total gold content.

KERR 10 SILVER PROSPECT

LOCATION:

Prospect No. 2, Fig. 5

5.3 kilometers northeast of the north end of Newmont Lake at an elevation of approximately 1100 meters east of a north trending drainage steeply incised and entirely within Paleozoic limestone.

DESCRIPTION:

Silver mineralization occurs within folded fossiliferous limestone in part recrystallized and appears to be fault controlled. Mineralization consists of tetrahedrite, chalcocite,

galena (minor) within gangue of dolomite-calcite and minor quartz and oxidized minerals composed of malachite, azurite, limonite and hematite. Considerable fault gouge over narrow widths occurs within the trenched area. Wall rock on either side is impregnated with small grains of tetrahedrite for a distance of less than 30 centimeters. No visible surface expression of the mineralization is evident. This property appears to have been prospected previously, possibly during the 60's, as there are a few signs of such activity still in evidence at the site.

SAMPLE RESULTS:

Samples taken from the trenched area and vicinity of this prospect numbered 42 of which 20 had values greater than 50 ppm Ag. All of the samples collected are to be considered grab samples, therefore it is not possible to determine reliable widths. It may be of interest however, to tabulate those samples with values greater than 340 g/tonne.

<u>Sample No.</u>	<u>Description</u>	<u>Width</u>	<u>Ag g/tonne</u>	<u>Au ppb</u>
02303	Chalcopy. in dol/qtz.	Grab	366.8	50
32046	Az. Mal. with Tet.	"	2062.2	< 5
34419	Galena in dol./qtz.	"	372.7	< 5
32903	Chalcocite, chalcopy., Tet.	"	3282.5	< 5
32904	" " " "	"	4995.3	< 5
32905	" " " "	"	1096.1	< 5
32906	Tetrahedrite in gangue	"	354.8	< 5
32908	Limonite	"	339.4	< 5
32909	Dol./qtz. with Tet.	"	4275.3	< 5
32911	Limonite with Tet.	"	4255.4	< 5

Gold values are consistently absent in samples taken from the two trenches.

WORK COMPLETED:

A soil grid established east and north of the original showing consists of nine 25 meter north-south lines with stations at 10 meter intervals yielding 114 samples. Two trenches approximately 50 meters apart were excavated into the west slope and exposed mineralization as described above for a distance of 22.3 meters in the lower trench. The mineralized zone was then extended 3.0 meters for a total exposure of approximately 25.0 meters. A vertical 3.0 meter wide upper trench exposed mineralization over a width of 1.0 meter.

WORK PROPOSED:

Continued trenching both to west of the existing lower trench and uphill to east to try to trace extension of existing mineralized zone. Extend soil grid to west by 2 - 300 meters.

TIC 2 - 4 GOLD PROSPECTLOCATION:

Prospect No. 3, Fig. 5

Located 5.0 kilometers due south of the headwaters of Forrest Kerr Creek at an elevation of 1735 meters to 1830 meters along a north easterly trending ridge within glaciated terrain.

DESCRIPTION:

A weakly developed quartz stock work occurring over fairly extensive area underlain by granite, granodiorite, quartz diorite phases of coast pluton. Veins of varying attitude and dimensions from mere centimeter or less to over 1 meter but generally average between 10 - 20 centimeters in width and 2.0 + meters in

length. Mineralization consists of pyrite, limonite and gold values up to 14.2 grams per tonne.

SAMPLE RESULTS:

Anomalous values in excess of 2000 ppb Au occur in six different locations over a horizontal distance of 1500 meters (See Fig. 11). As indicated the sample stations are at relatively high elevation - 1825 meters and are associated with quartz veining occurring at moderately infrequent intervals. There is no indication that this is the extent of the mineralization nor is there much evidence to suppose that greater concentrations of quartz veining or higher values in gold are absent from other areas not explored to date. Large parts of this property have not been adequately prospected or sampled. Considering the high values in gold present, there is strong incentive to fully explore and assess the potential of this prospect. Listed below are those sample results which contain more than 4000 ppb Au.

<u>Sample No.</u>	<u>Description</u>	<u>Width</u>	<u>Ag ppm</u>	<u>Au ppb</u>
32357	Qtz Vein	Grab	45.0	> 10,000
32358	"	"	32.0	4,210
32359	"	"	> 50.0	> 10,000
32360	"	"	45.0	4,010
32361	"	"	27.0	> 10,000
32432	"	"	14.5	4,830
32436	"	"	> 50.0	8,360
32437	"	"	16.5	4,760
32438	"	"	> 50.0	> 10,000
32442	"	"	27.0	4,350
32443	"	"	37.0	5,000
32444	"	"	31.0	9,180
32445	Resample 32357	"	25.0	6,200
32446	Resample 32359	"	14.6	4,280
32447	"	"	23.0	5,480
32448	"	"	40.0	8,910
32624	"	"	31.0	10,000

WORK COMPLETED:

Prospecting, sampling, regional mapping.

WORK PROPOSED:

Closely spaced sample program of the quartz veins along with geological mapping of the distribution of the veins, as well as any alteration features or other characteristics that may be related to or indicate control of mineralization.

KERR 1 - 7 SILVER PROSPECTLOCATION:

Prospect No. 4, Fig. 5

Located 8.0 kilometers due west of the south fork of Forrest Kerr Creek at an elevation of 1220 meters and surrounded by glaciers on north, south and west sides.

DESCRIPTION:

Very narrow fractures trending north easterly and carrying chalcopryite, galena, tetrahedrite, minor sphalerite, calcite, dolomite within dolomitized limestone, partly fossiliferous limestone. Fractures are widely spaced and not very numerous; fairly localized. The limestone is tilted and appears to be folded with the axis trending north-south. Rocks in the immediate vicinity consist of limestone-dolomite, basalt and various undifferentiated volcanics of intermediate to basic composition including andesite breccia and flows.

SAMPLE RESULTS:

A number of samples collected from widely separated localities returned relatively flat values in Au and Ag in all analyses except those from Kerr 6 M.C. where 2 of 15 samples yielded anomalous results as indicated below:

<u>Sample No.</u>	<u>Description</u>	<u>Width</u>	<u>Ag g/tonne</u>	<u>Au ppb</u>
32370	Mineralized shear	Grab	1,526.0	10
02154	Resample 32370	"	2,686.6	< 5

WORK COMPLETED:

Prospecting, sampling, regional mapping.

WORK PROPOSED:

Nil - too small - 2 or 3 days prospecting to thoroughly cover this area.

TIC 8 SKARN PROSPECTLOCATION:

Prospect No. 5, Fig. 5

Located 11.0 kilometers southeast of Newmont Lake at an elevation of 1370 meters halfway up the slope of a northeasterly trending ridge. Terrain is steep and portions of the property are not accessible due to cliffs, ice.

DESCRIPTION:

The showing consists of contact metamorphic deposits composed of massive sulphides within dolomite and altered volcanics of andesitic composition. The contact zone trends north easterly and is underlain in part by sedimentary and

schistose rocks whose reappearance some 4.0 kilometers southeast may reflect a broadly folded north easterly trending structure.

Mineralization within massive sulphide lenses, the largest of which is about 2 - 3 meters in width by 40 meters in length, consists of magnetite, arsenopyrite, pyrite, chalcopyrite and scheelite with associated minor (to date) values in gold. The usual coating of black limonite occurs as a surface oxidation product wherever massive sulphides are found, within both the skarn deposits and the sulphides sometimes associated with northerly trending steeply dipping shear zones.

SAMPLE RESULTS:

Results of 37 samples collected from Tic 8 Skarn Prospect included three anomalous values the highest of which measured 2.8 g/tonne Au. Additional sampling employing controlled channel or chip methods is required to adequately test the potential of this property. Anomalous results follow:

<u>Sample No.</u>	<u>Description</u>	<u>Width</u>	<u>Ag g/tonne</u>	<u>Au g/tonne</u>
32325	Skarn	Grab	7.2	2.5
32332	"	"	15.9	2.8
32703	"	"	4.5	1.4

WORK COMPLETED:

Prospecting, spot rock sampling, regional mapping.

WORK PROPOSED:

1. Prospecting - up slope along contact.
2. Sample programme - channel sample with location control.
3. Detailed mapping - Scale 1:5000. Check for WO₃.

TIC 9 GOLD PROSPECT

LOCATION:

Prospect No. 6, Fig. 5

Approximately 12.5 kilometers southeast of Newmont Lake along the same slope containing Tic 8 SKARN PROSPECT at an elevation of about 1050 meters.

DESCRIPTION:

The Tic 9 gold showing occurs within low grade regional metamorphic rocks consisting of argillaceous schist-phyllite containing numerous conformable quartz veins as well as fracture controlled quartz veins cutting the foliation. It appears that the latter system carries gold mineralization, which, in grab samples of float, taken by Pamicon immediately north east of Tic 9 yielded values in excess of 102.8 grams gold per tonne. The schists trend north easterly, exhibit abundant tight micro folding and contortion and appear to be folded into a broad syncline? whose axis trends northeast and whose closure is located 2 to 3 kilometers northeast of the eastern boundary of Tic 9 M.C.

SAMPLE RESULTS:

Analysis of samples taken from Tic 9 M.C. did not provide highly anomalous results. Nevertheless, the property requires additional work to adequately test its potential.

<u>Sample No.</u>	<u>Description</u>	<u>Width</u>	<u>Ag ppm</u>	<u>Au ppb</u>
32271	Qtz. with limon	Grab	< 0.1	370
32344	Chalcopy. in schists	"	39.0	180
32508	" "	"	0.8	940
32509	" "	"	3.6	200

WORK COMPLETED:

Prospecting, spot rock sampling, regional mapping.

WORK PROPOSED:

1. Prospect the west limb fold extension.
2. Channel sample areas of interest with control.
3. Detailed mapping 1:5000.

CONCLUSIONS

It is concluded that the 1988 exploration program conducted by Kestrel Resources on their Iskut River claims was highly successful in selecting several target areas suitable for additional work. The preliminary work completed in 1988, that is, the prospecting, sampling and reconnaissance mapping, combined to define specific and obvious exploration targets. Potential for either large reserve - low grade, or small reserve - high grade gold deposits exists on at least four of the properties explored during the 1988 field season. A fifth has potential for silver reserves.

These properties occur within a complex geological setting of north-western British Columbia (identified as the Stewart Complex) and consist of the following:

<u>Property</u>	<u>Description</u>	<u>Best Significant Value</u>
1) B1-N KERR 8	Mineralized fract. in monz.	4.6 Au g/tonne
2) KERR 10	Mineralized shear in lst.	4995.3 Ag g/tonne
3) TIC 2-4	Quartz veins in Coast Pluton	14.2 Au g/tonne
4) TIC 8	Skarn in lst.-volc. contact	2.8 Au g/tonne
5) TIC 9	Mineralized quartz veins in schists	940 Au ppb

Specific work programs designed to further evaluate these properties are presented under "Recommendations."

RECOMMENDATIONS

It is recommended that a minimal program, to consist essentially of bulk sampling, be planned for the 1989 field season. Bulk sampling is required on five of the properties as the next phase of exploration. A general description of the method of sampling is provided at this time - a more specific outline may be determined in the field at the time of sampling.

- 1) Begin program with detailed mapping of properties at scale of 1:5000 or larger. This is now possible as enlargements of various properties are available at this time. The mapping is required to establish control for the sampling physically and to provide the data necessary for an evaluation of the results of assays obtained.
- 2) Bulk sample at suitable intervals, by means of rotary saw or plugger or by means of moil and hammer, depending on terrain and access, a continuous 5 x 10 centimeter channel using rotary saw, or 50 x 50 centimeter shallow pits using plugger, or continuous chips using moil and hammer, across the regional trend of any mineralized structures, veins, or zones. The sample direction and spacing etc. should be designed to suit each property individually. For example, the most economic and efficient method to determine the background values or metal content of relatively barren areas is to collect a number of random samples of a property such as the Tic 2 - 4 and then using these results

for the remaining areas of the property, sample only obvious mineralized zones or quartz veins. By plotting locations, dimensions and values of sample assays, a fairly reliable collection of data will be available as preliminary indicators of the surface dimensions and grade of any mineralized zones.

3) Depending upon the results obtained expand the sampling program as required.

4) The properties to be sampled are the following:

- 1) B 1 North - Kerr 8
- 2) Kerr 10
- 3) Tic 2 - 4
- 4) Tic 8
- 5) Tic 9

5) Drilling of any of the properties is not recommended at this stage. If results warrant it should form the next phase of the program.

PROPOSED 1989 EXPENDITURES
6 Month Program

<u>ITEM</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
Wages	4 samplers, 1 Geologist, Office	\$ 80,000
Helicopter	Hughes 500 or similar 1/2 hr/day 3 months	30,000
Assaying	1000 x \$20.00	20,000
Transportation & Supplies	Mobilization Demob., plugger etc.	15,000
Accommodation	5 men 90 days at \$660/day	60,000
Report & Office	Compilation, copying, etc.	20,000
Contingency	11%	25,000
		<hr/>
TOTAL		\$ 250,000

APPENDIX I

CERTIFICATE

ACKNOWLEDGEMENT

I wish to thank Mr. K. Kaye of Rangex who took charge of the map preparations and whose help in compiling the body of the report was invaluable.

APPENDIX II

BIBLIOGRAPHY

CERTIFICATE

I, John Buchholz of 10370 Monte Bella Road, Winfield, British Columbia do hereby certify that:

1) I was employed by Kestrel Resources Ltd. during the month of September 1988 as Exploration Geologist to conduct geological mapping and property examinations on their Iskut River mineral claims.

2) I am a graduate of the University of British Columbia having obtained a degree in Geology (B.A.) in 1962.

3) I have practised my profession during the periods 1962-1974 and 1987 to present on various exploration projects ranging from grass roots to underground programs.

4) I have personally examined all of the various properties described in the body of this report, except where indicated to the contrary and I have compiled the attached regional geological map utilizing field data supplied by Rangex personnel under contract to Kestrel Resources Ltd., as well as my own field notes and observations gathered during the period September 1-30, 1988.

5) I have no interest in any of the properties described herein, nor in securities of Kestrel Resources Ltd., nor do I expect to receive any such interest.

6) I hereby authorize Kestrel Resources Ltd. to present this report or parts thereof, in any statement of material facts in any prospectus or other documentation submitted to fulfill regulatory requirements.

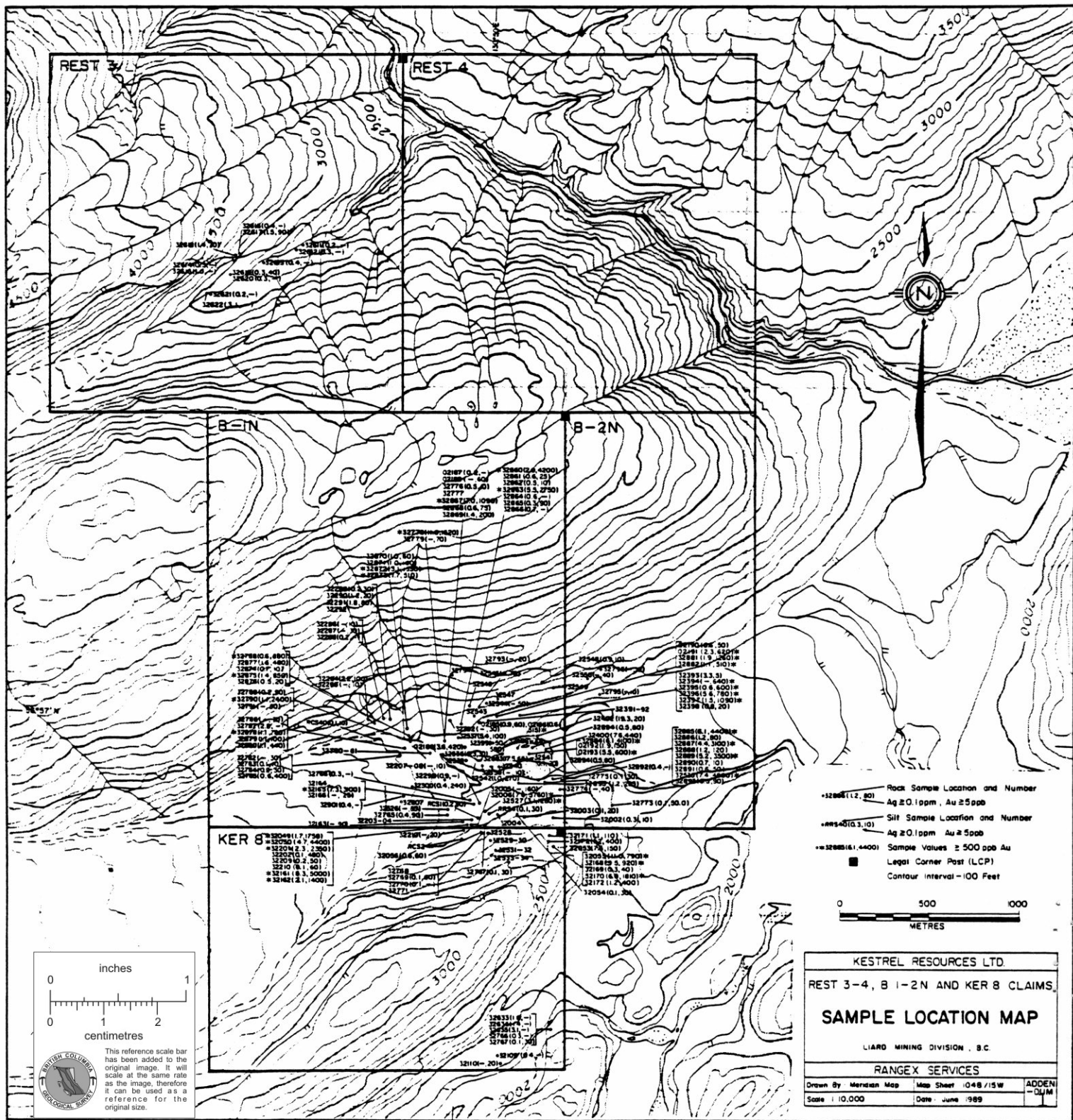
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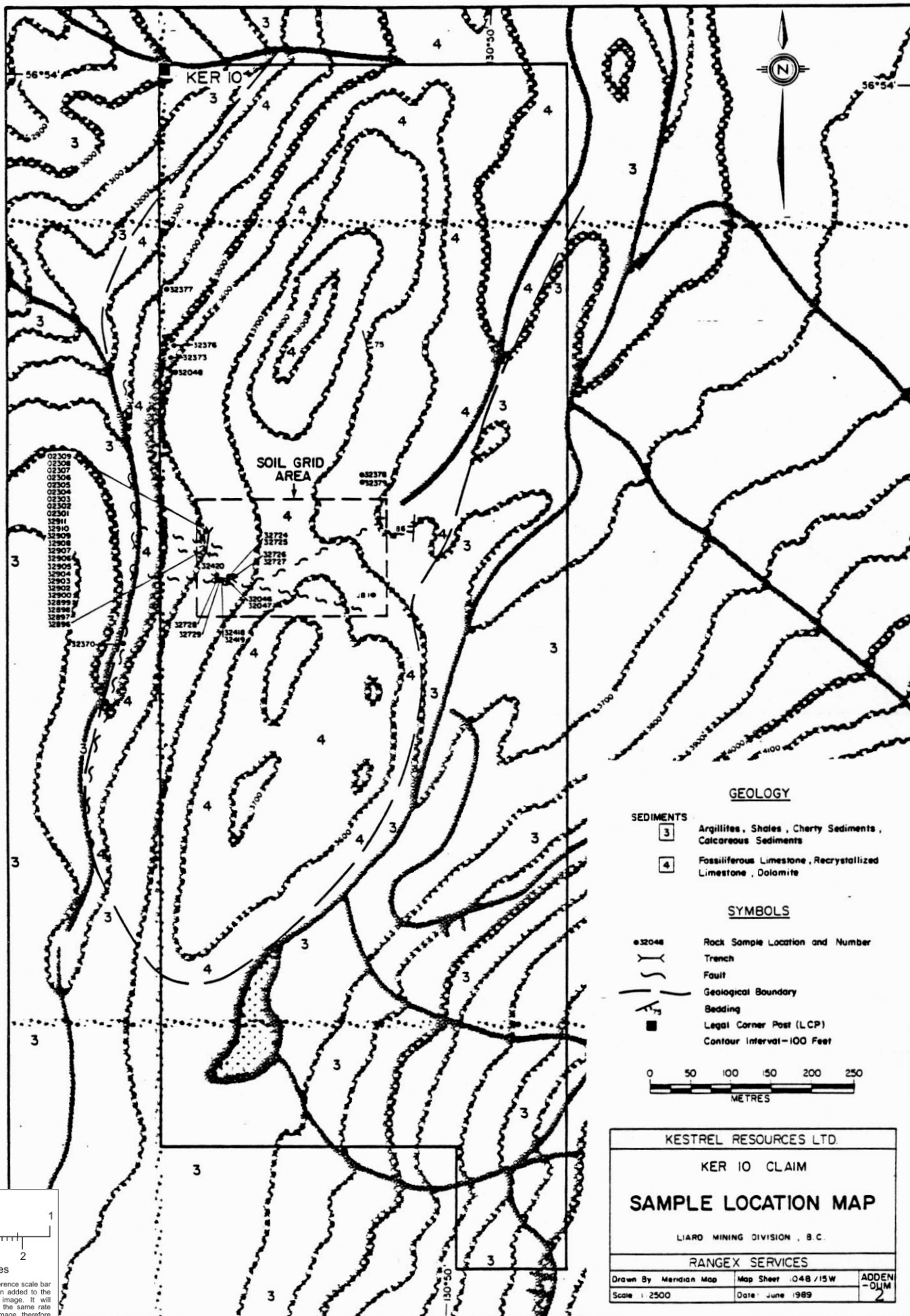
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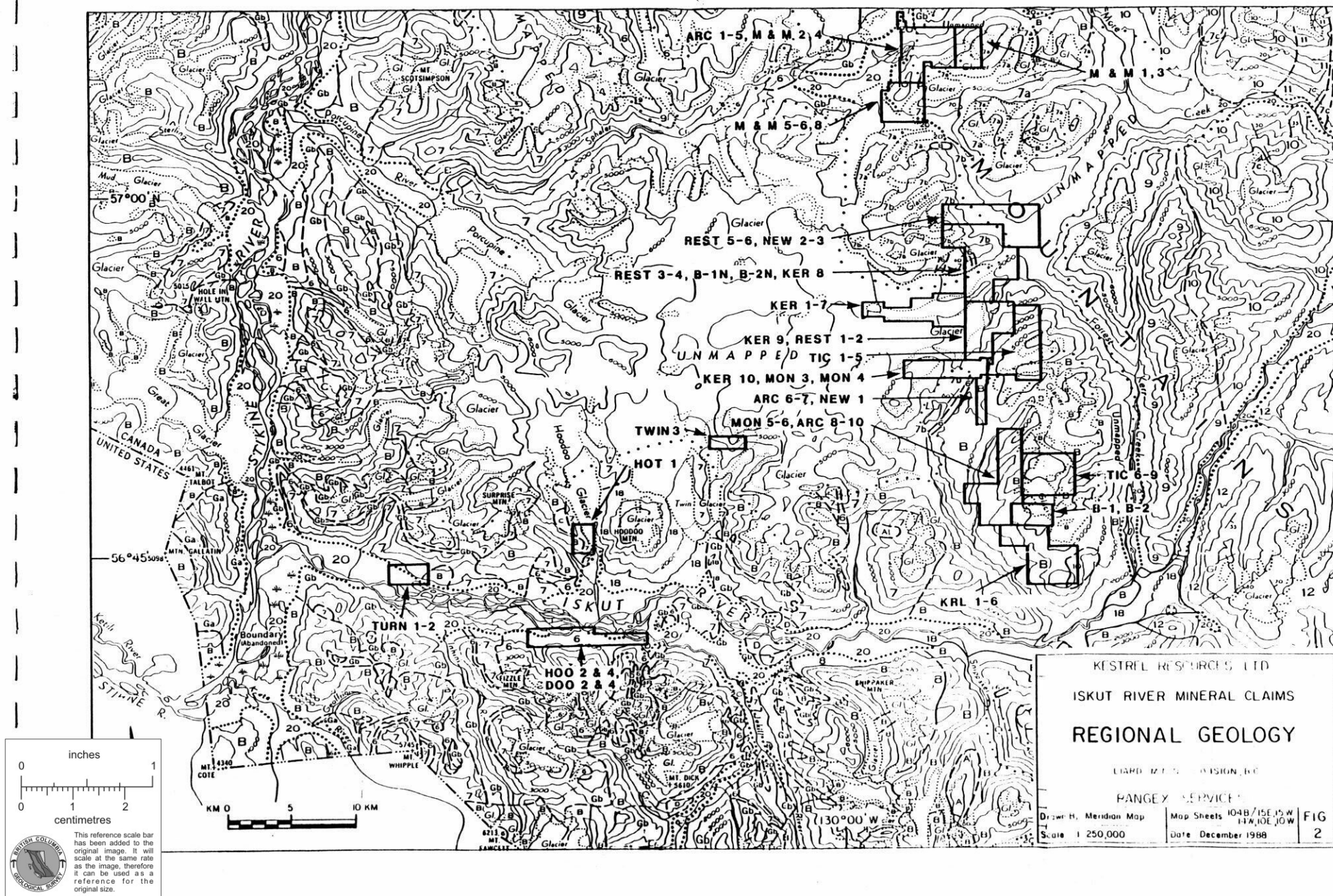
J. Buchholz

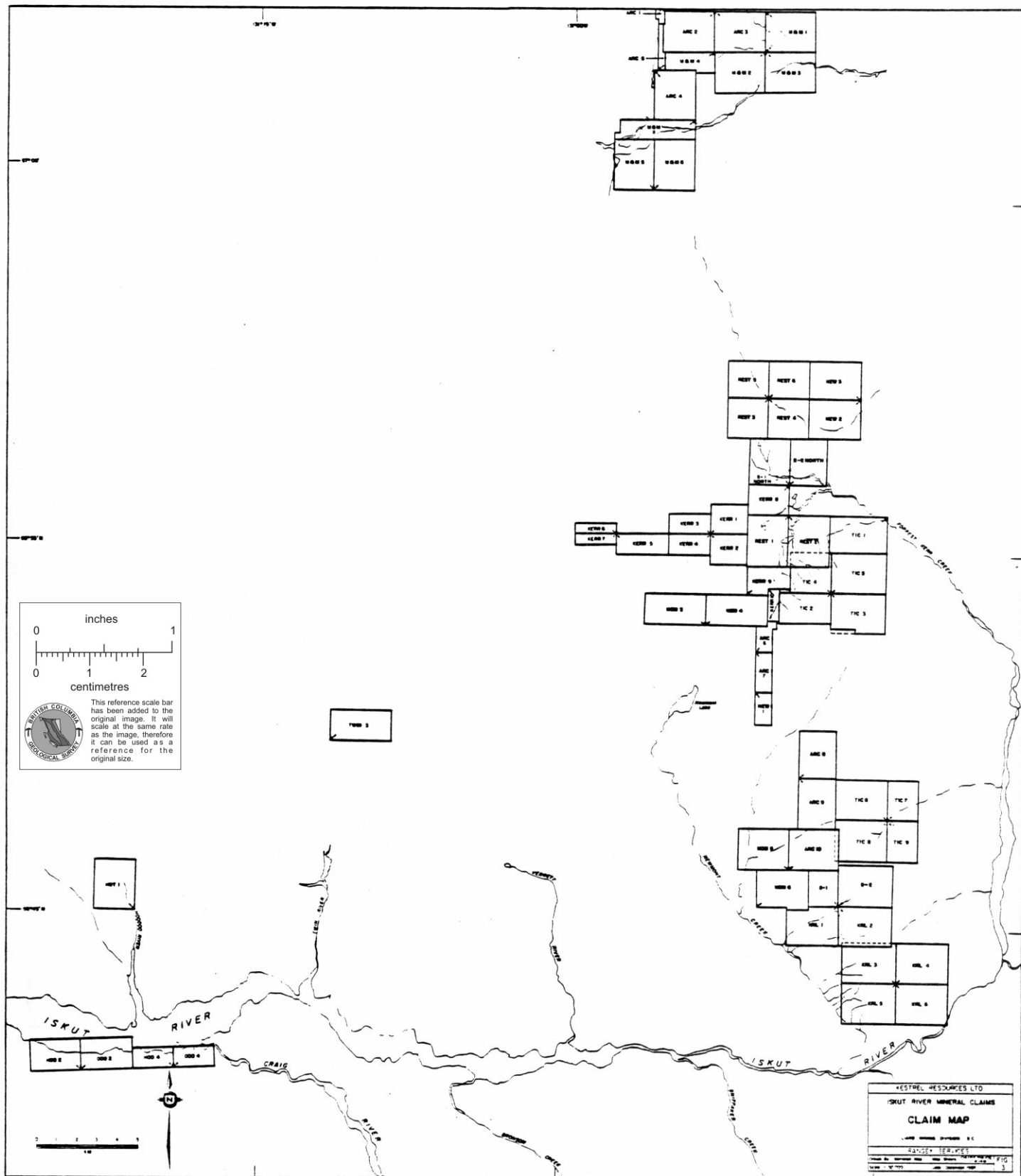
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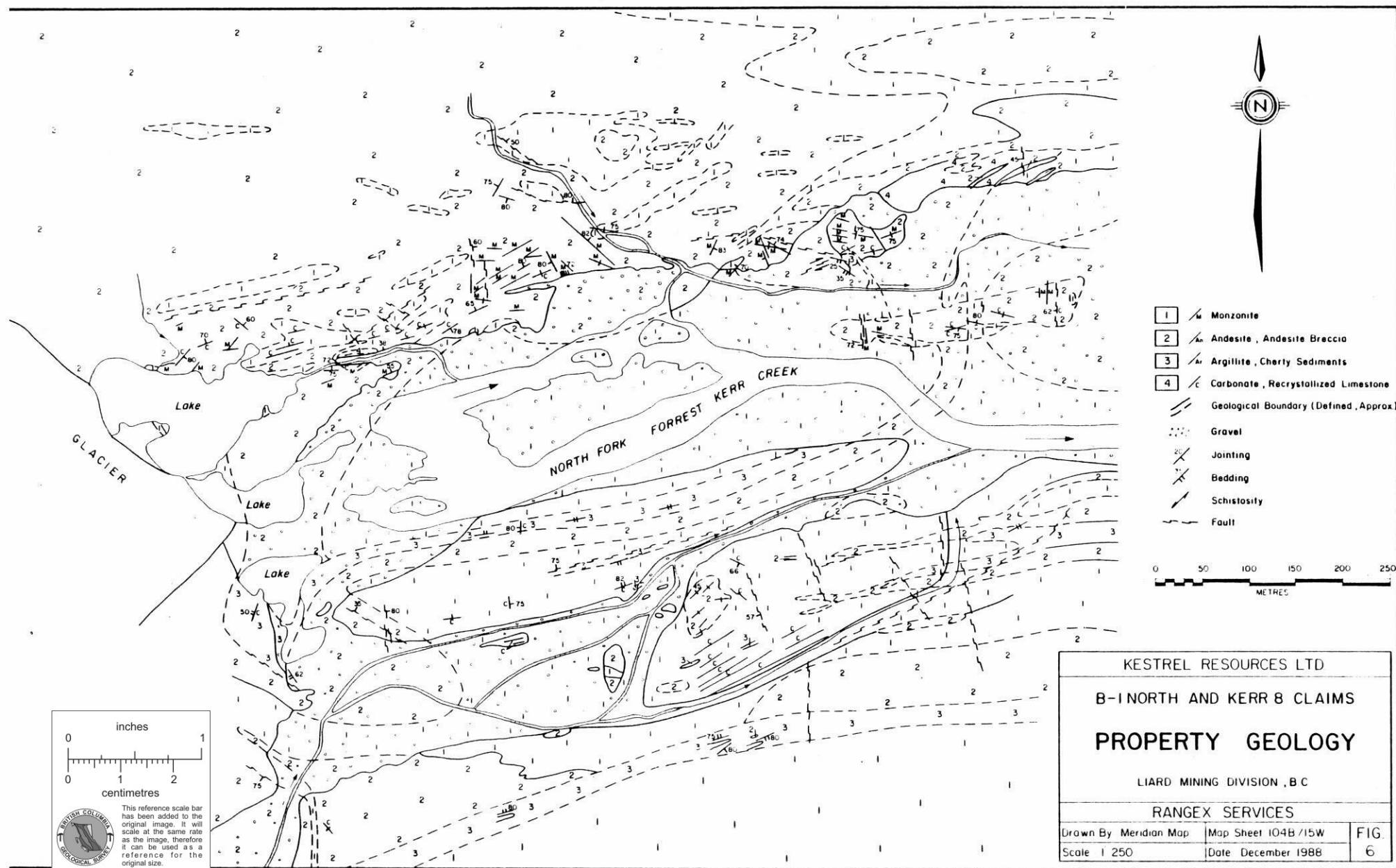
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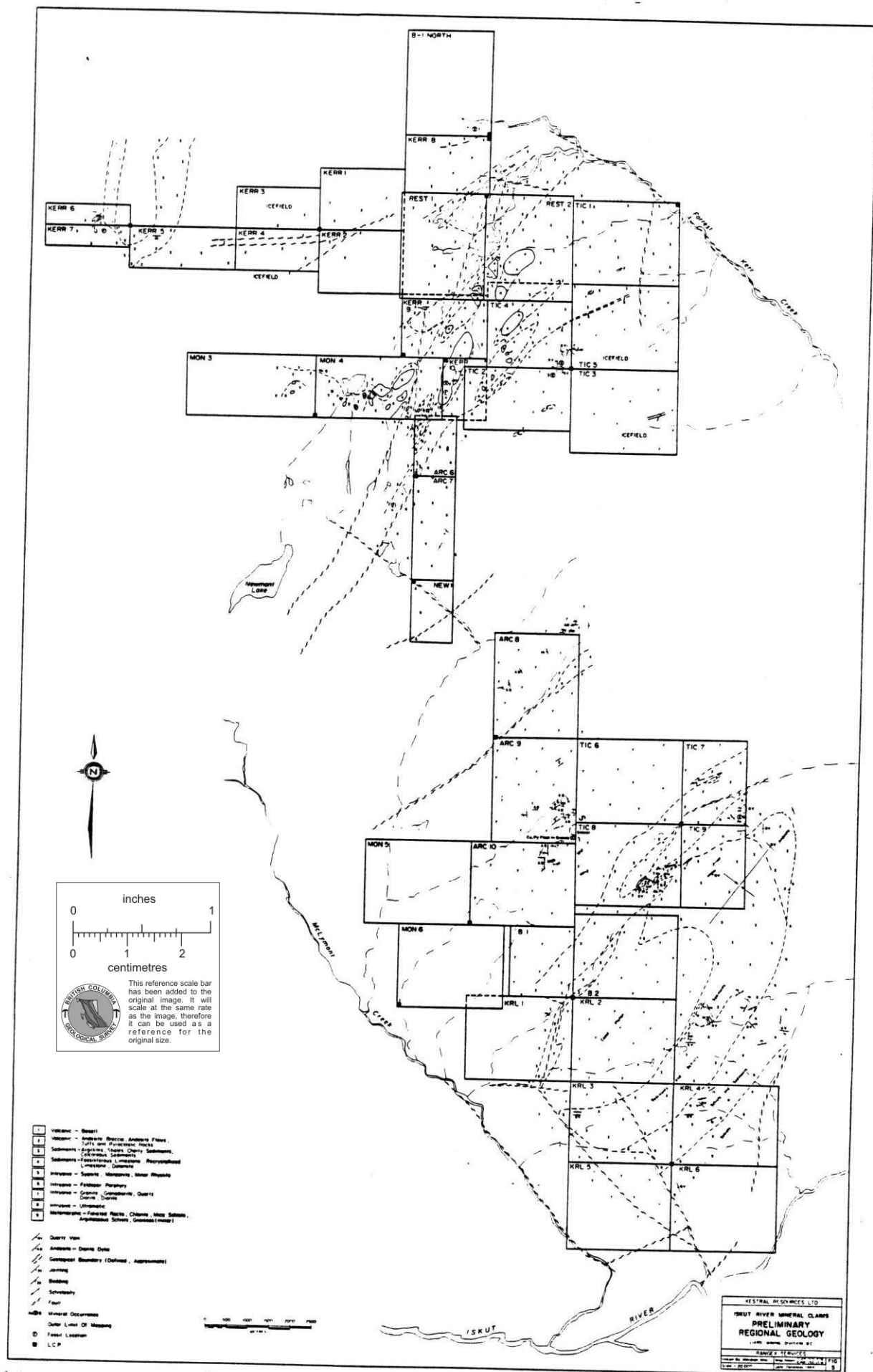
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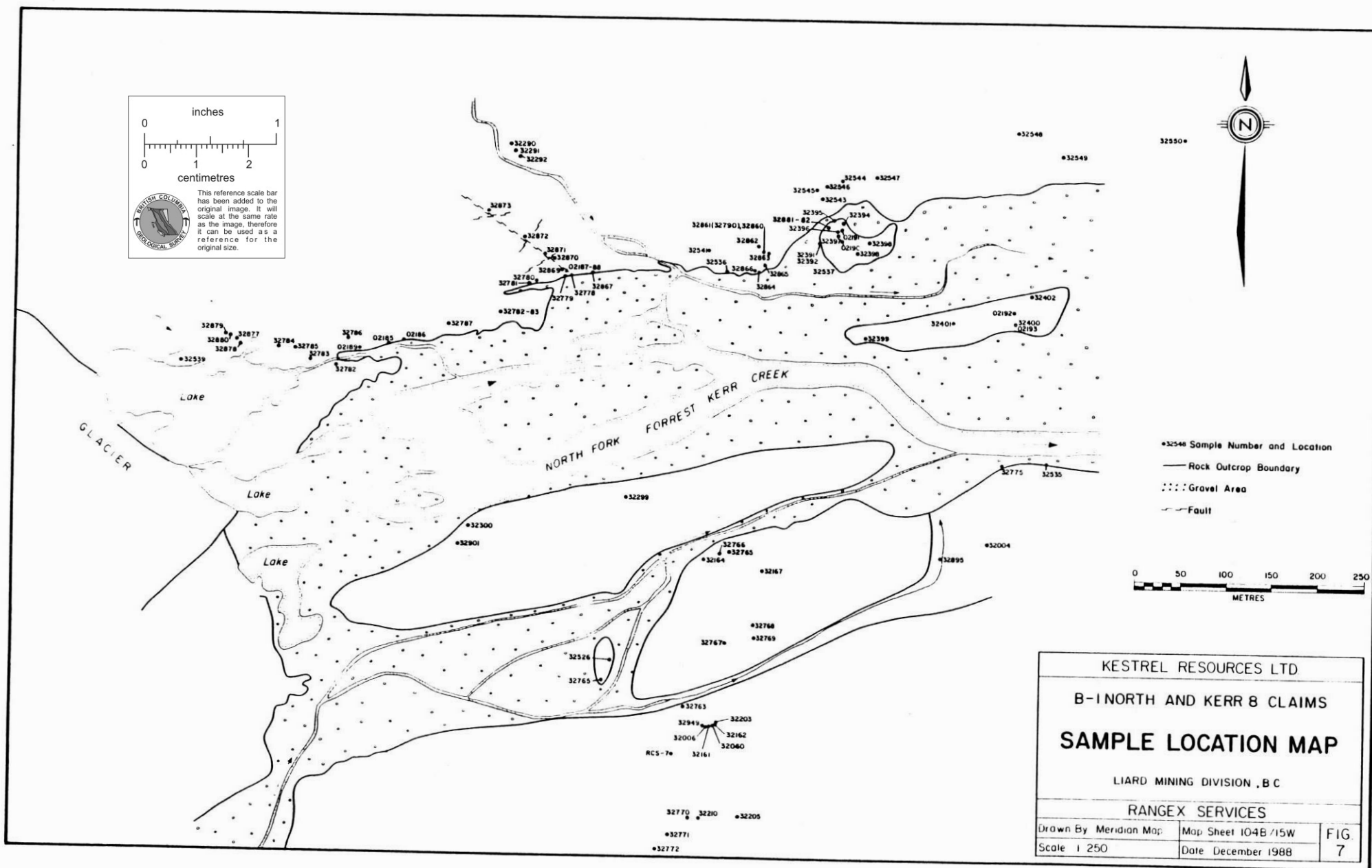
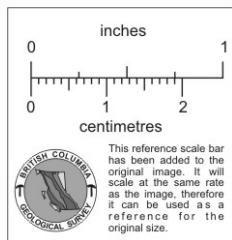
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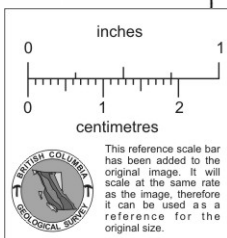
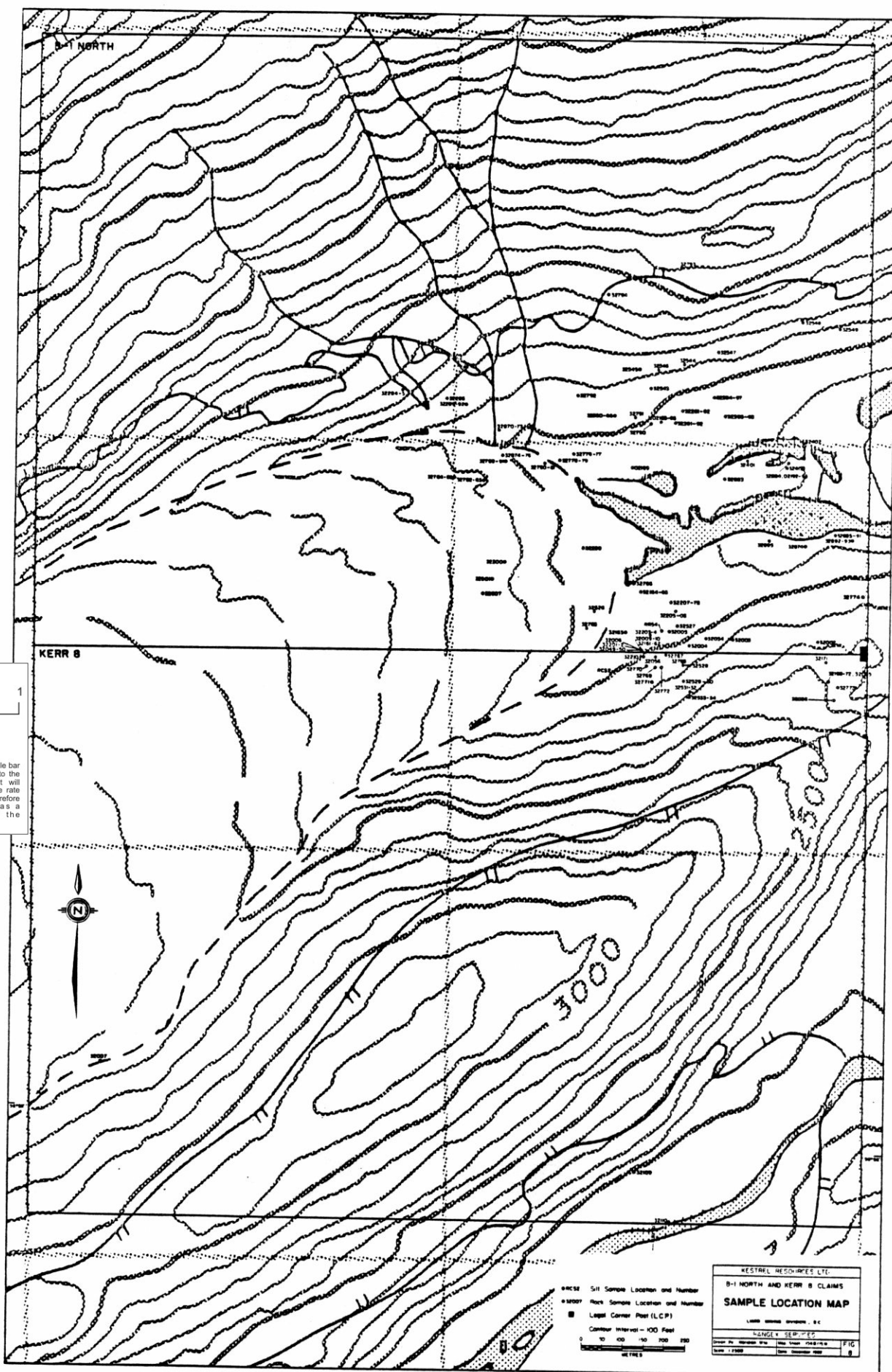
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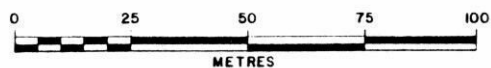
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Scale 1:250	Date December 1988	6



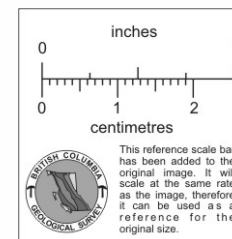




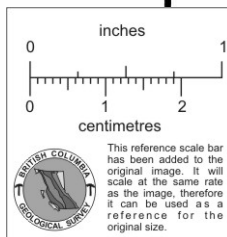
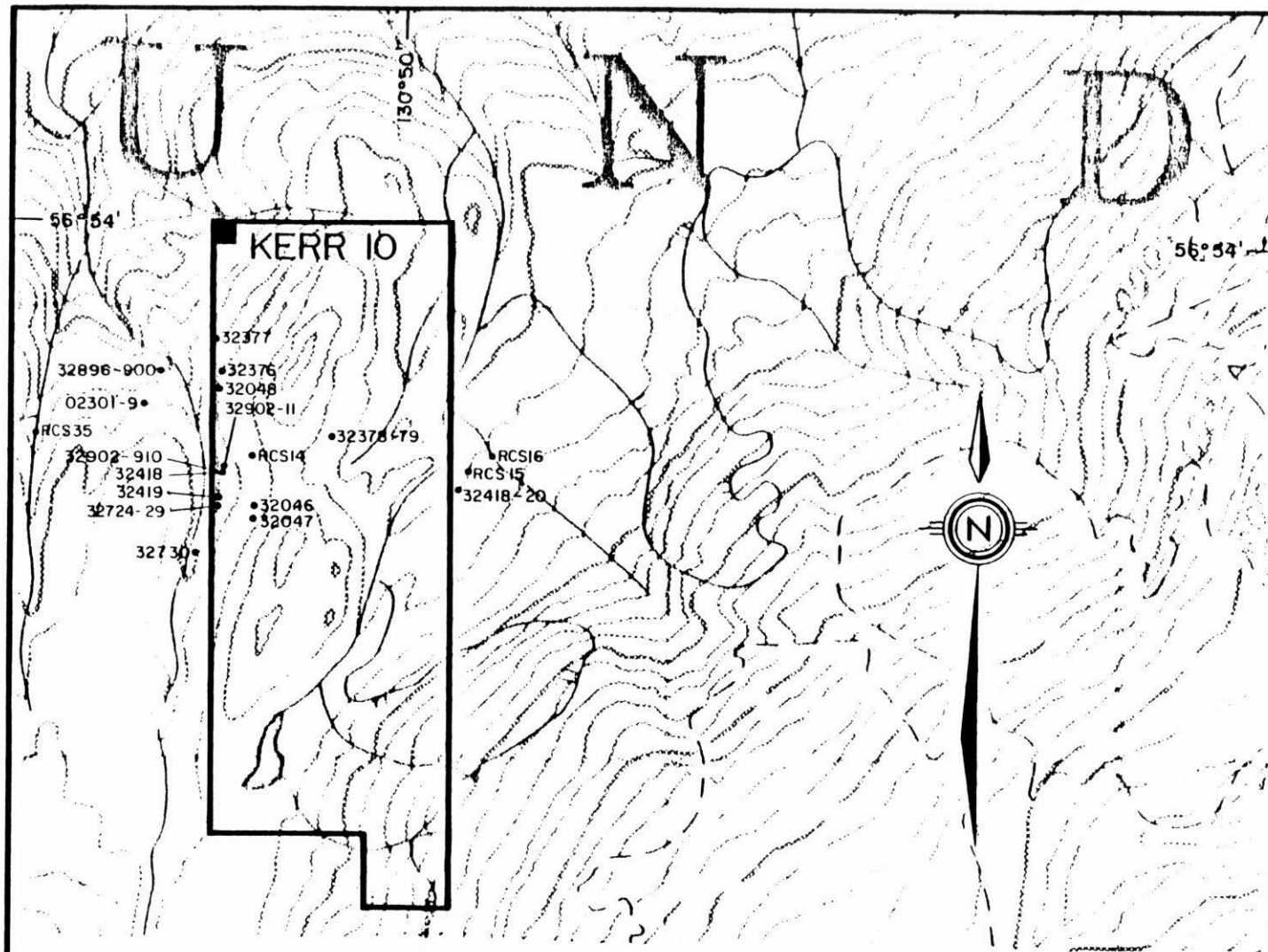
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BASE LINE 0+00												
0+10S				X 2,15		X 10,10	X 10,5	X 7,5	X 29,15	X 7,5	X 13,5	X 1,16
0+20S				X 4,10 X 7,10	X 5,-	X 27,-	X 14,10	X 15,15		X 49,20	X 95,10	X 9,5
0+30S				X 27,10	X 7,10	X 12,-	X 33,10	X 35,10	X 27,15	X 89,10	X 8,20	X 49,10
0+40S				X 3,10	X 6,10	X 9,15	X 31,10	X 44,10	X 3,10	X 4,10	X 1,-	X -,5
0+50S				X 13,5	X 9,10	X 23,10	X 14,10	X 51,10	X 9,15	X -,10	X 5,10	X -,10
0+60S				X 13,25	X 14,15	X 11,10	X 118,20	X 16,10	X 78,10	X 2,15	X 23,20	X 3,10
0+70S	12,10 X	X 18,-		X 21,5	X 13,20	X 17,15	X 70,20	X 59,20	X 17,10	X 4,10	X 37,15	X 6,10
0+80S	35,15 X	X 1,10		X 22,10	X 10,10	X 25,10	X 138,15	X 58,20	X 15,10	X 29,16	X 3,20	X 5,05
0+90S	31,10 X	X 5,10 X 34,20		X 18,15	X 4,-		X 57,10	X 22,20	X 15,20	X 9,10		X 6,10
1+00S	32,15 X	X 57,10 X 2,10		X 55,10	X 10,5		X 38,15	X 31,5	X 10,15	X 3,10		X 6,5
1+10S	12,5 X	X 7100, X 171,10 10		X 28,10	X 1,20		X 155,10	X 125,10	X 19,10	X 11,10		X 8,10
1+20S	55,5 X	X 58,5 X 7100, 15		X 55,10	X 3,15	X 3,10	X 85,10	X 12,10	X 13,-	X 12,10		
1+30S	7,10 X	X 52,10 X 82,10		X 14,5	X 28,30		X 74,20	X 55,10	X 15,10	X 36,10		
1+40S	44,10 X	X 85,10 X 86,-		X 6,10								
1+50S					X 36,10	X 42,10						



X 155,10
Soil Sample Location
Ag In p.p.m.
Au In p.p.b



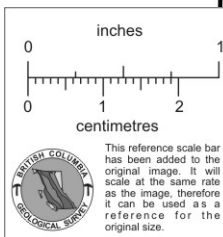
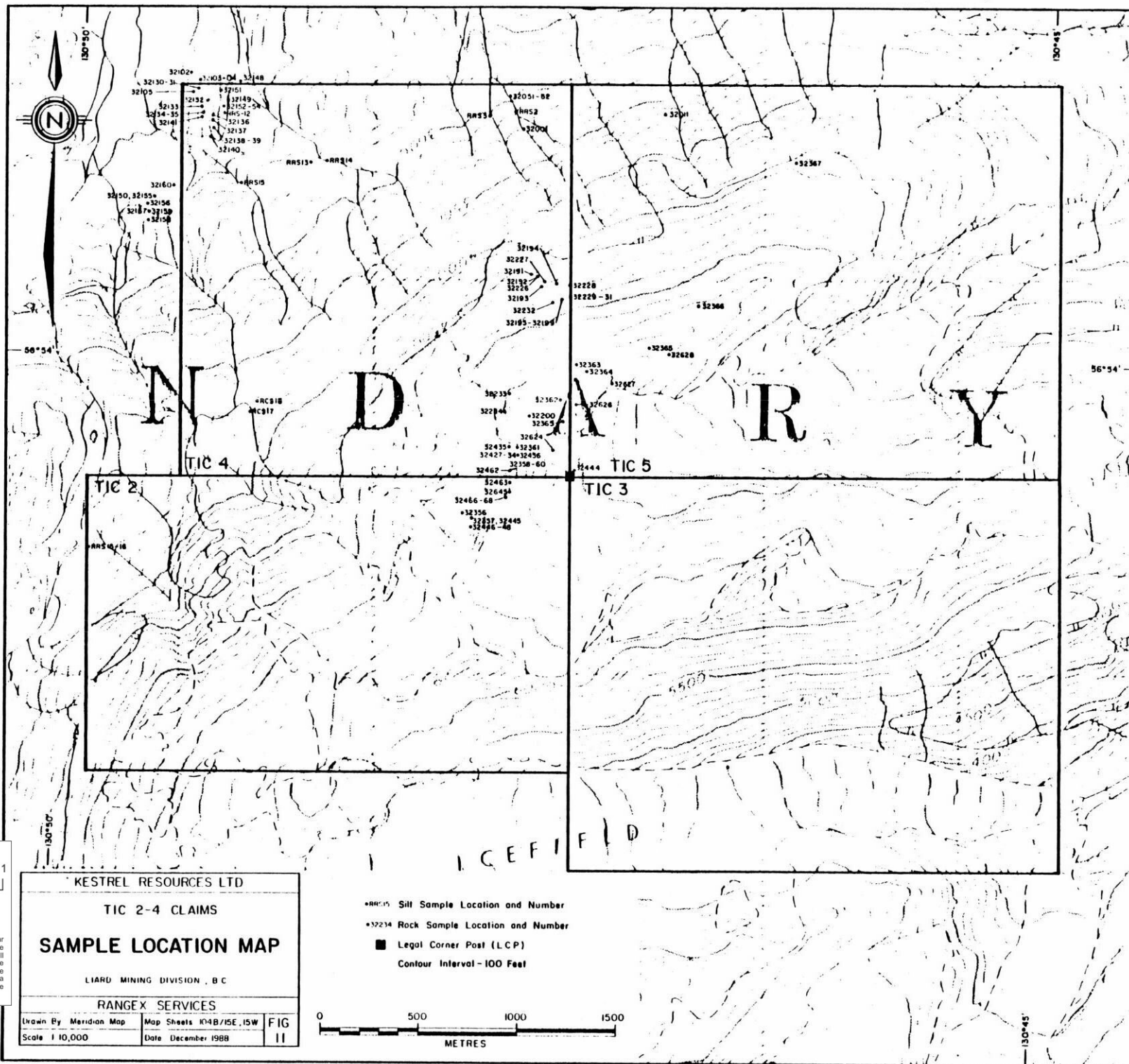
KESTREL RESOURCES LTD		
KERR IO CLAIM		
KERR IO SOIL GRID		
LIARD MINING DIVISION, B.C.		
RANGEX SERVICES		
Drawn By Meridian Map	Map Sheet 104b/15 W	FIG. 10
Scale 1:100	Date December 1988	

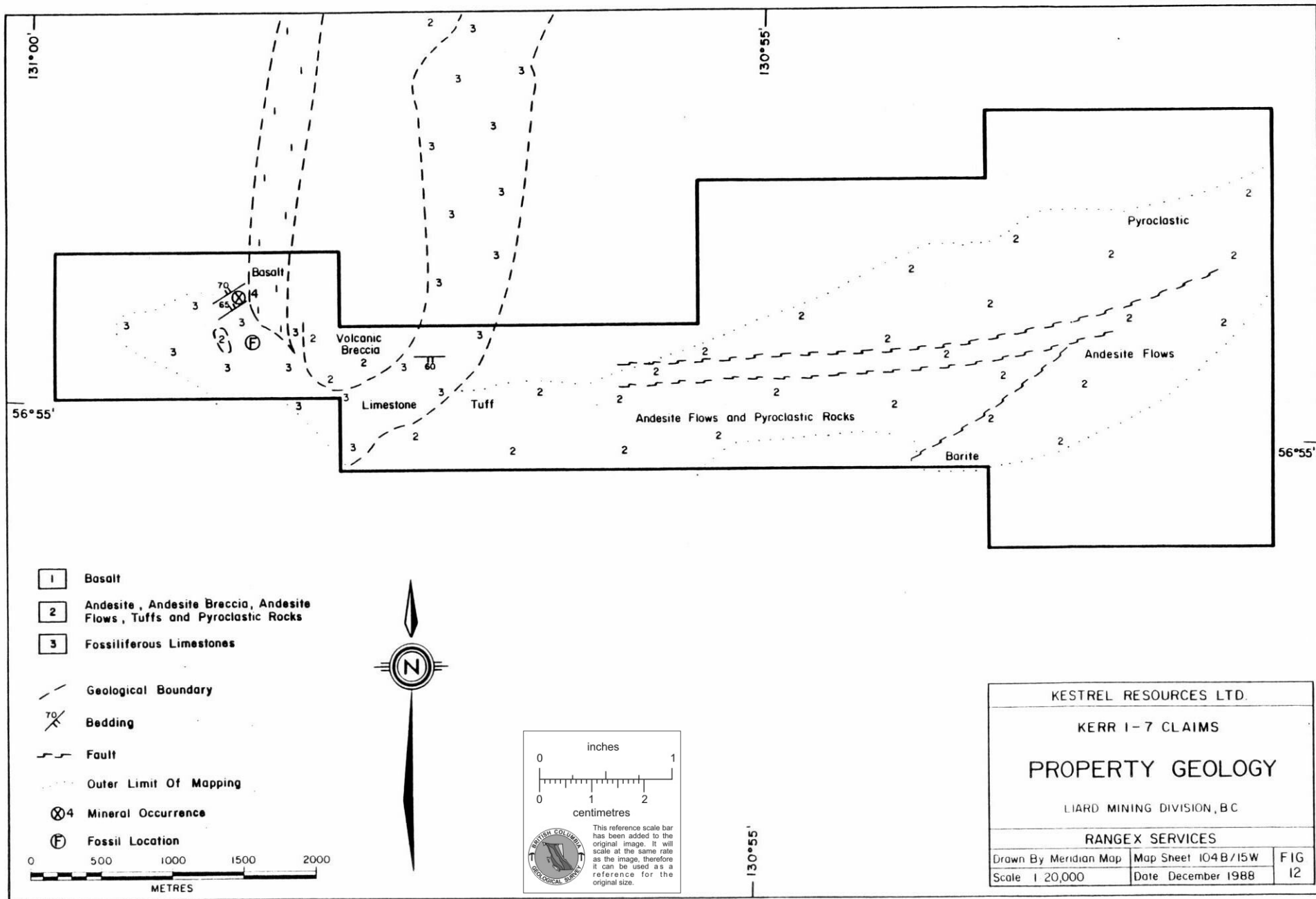


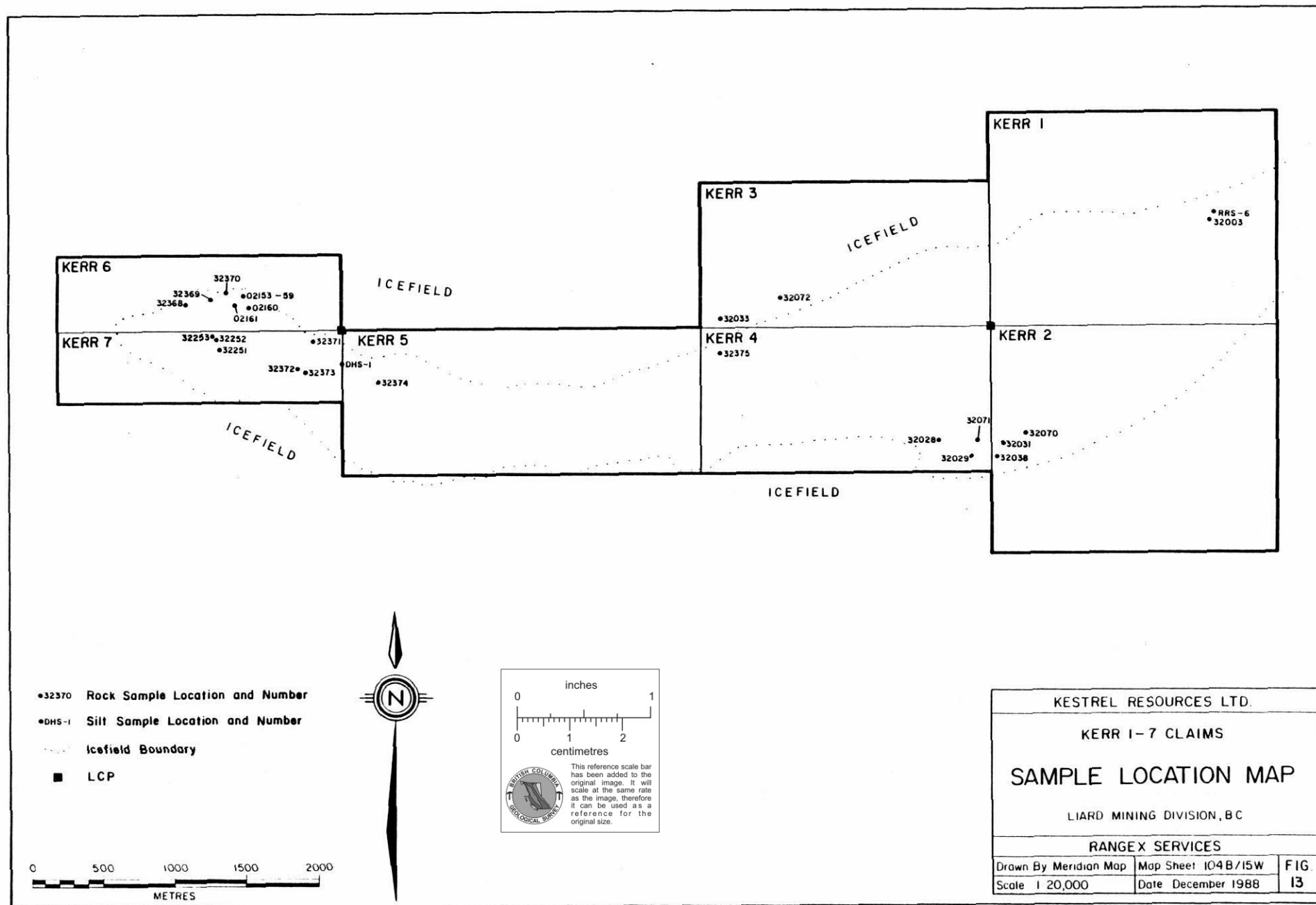
- RCS16 Silt Sample Location and Number
 - 32376 Rock Sample Location and Number
 - Legal Corner Post (LCP)
- Contour Interval - 100 Feet

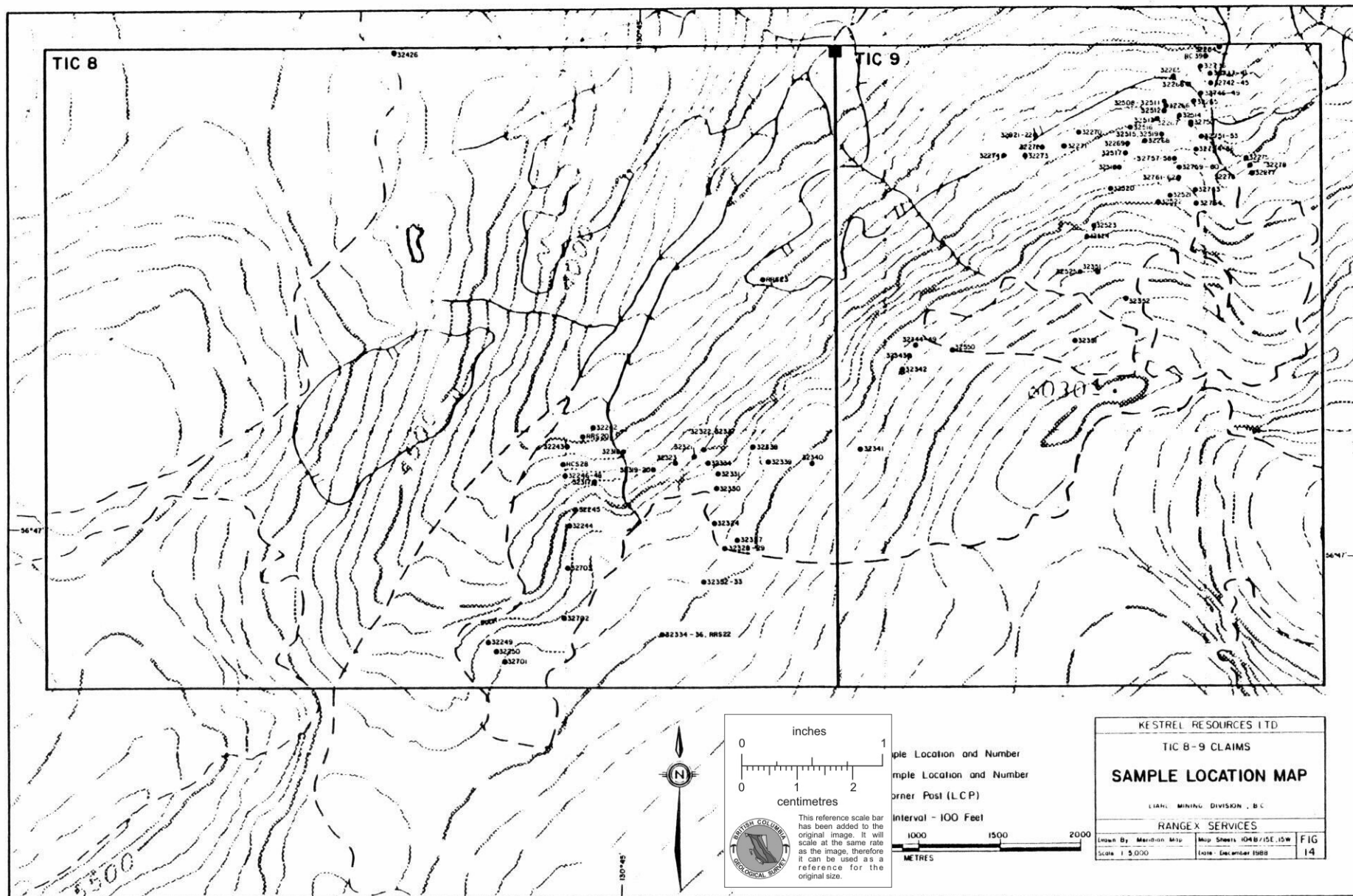


KESTREL RESOURCES LTD		
KERR IO CLAIM		
SAMPLE LOCATION MAP		
LIARD MINING DIVISION, B.C.		
RANGEX SERVICES		
Drawn By Meridian Map	Map Sheet 104B/15W	FIG. 9
Scale 1:10,000	Date December 1988	









G.H. RAYNER & ASSOCIATES LIMITED

626 DUCHESS AVENUE, WEST VANCOUVER, B.C. V7T 1G7

• TELEPHONE (604) 926-5690

1989 02 20

The Directors
Kestrel Resources Ltd.
1124-470 Granville St.
Vancouver, BC
V6C 1V5

Dear Sirs

Following your instructions, I have reviewed the report entitled "Kestrel Resources Ltd. 1988 Summary Report Iskut River Claims" dated January 31, 1989 by John Buchholz.

In addition to reviewing the Buchholz report and the supporting data, I have a general knowledge of the area derived from various work programs and visits dating back to 1963. Most recently (September 1988), I was involved in an appraisal of the Forrest Property which lies contiguous to the east with the KRL 2, 4 and 6 Claims, the B-2 Claim and the Tic 7 and 9 Claims of the Kestrel Property which is the subject of this report.

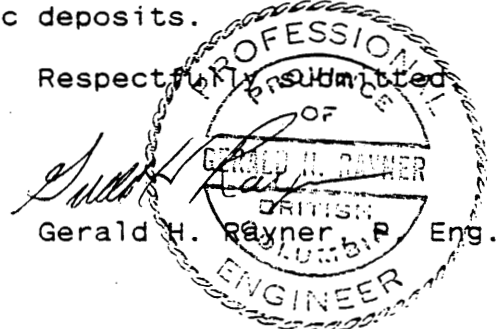
I find the report to be a fair and complete presentation of the geology and circumstances of the property. I would fully concur with the author's recommendations and cost estimates for subsequent work. Unfortunately, the area is an expensive one in which to work so that the estimate of \$250,000 for the proposed program seems reasonable.

The only comment that I would add (not a criticism) is with respect to the discussion of the Tic 8 Skarn Prospect (page 24). In this area, from my own observation on the ground to the east of the Tic 8 Showing, it seems possible that the Tic mineralization may in fact be of volcanogenic massive sulphide - type rather than skarn type. This possibility might be borne in mind in future work on the zone since both precious and base metals may have different distributions in skarn and volcanogenic deposits.

Respectfully submitted

Gerald H. Rayner, P. Eng.

GHR:klr



1987 SUMMARY REPORT
on the
STU 1 & 2 CLAIMS

Located in the Iskut River Area
Liard Mining Division
British Columbia
NTS 104B/10W

at

56°38' North Latitude
130°55' West Longitude

- Prepared for -
KESTREL RESOURCES LTD.

- Prepared by -
S.L. TODORUK, GEOLOGIST
C.K. IKONA, P.Eng.

December, 1987
(Revised April, 1989)

SUMMARY REPORT on the STU 1 & 2 MINERAL CLAIMS

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APPENDICES

Appendix I	Bibliography
Appendix II	Statement of Qualifications
Appendix III	Engineer's Certificate

Addendum - Summary of Results 1988 Program

1.0 INTRODUCTION

Kestrel Resources Ltd.'s Stu 1 & 2 mineral claims (36 units) were staked in the fall of 1986 on the west side of Snippaker Creek and south of the Iskut River in northwestern British Columbia (Figure 1). The ground was acquired to cover favourable geology immediately north of Inel Resources Ltd.'s polymetallic Inel deposit. During 1987, approximately 125 metres of drifting was driven along the main cross cut on the Inel and intersection of the first ore zone (Discovery) was completed by the end of the 1987 field season. Additional underground development was done in 1988 with a comprehensive underground drill program planned for 1989.

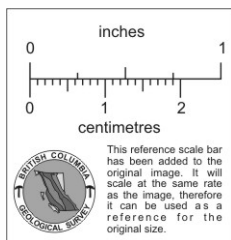
A total of 99 man days were spent prospecting, mapping, rock chip/soil sampling and trenching the Kestrel property between July 25th and September 16th, 1987. Airborne geophysics and some prospecting was conducted on the property in 1988.

Widespread mineralization has been located on the Stu 1 & 2 claims occurring in several different styles. To date, the most significant form of gold mineralization occurs in iron carbonate/pyrite veins which exceed widths greater than 1.0 metre (Sample 13268 = 0.235 oz/ton Au). Narrower, higher grade veins sampled in place produced values ranging up to 2.202 ounces gold per ton and greater than 3.0 ounces silver per ton. Quartz vein (galena/sphalerite/chalcopryrite/pyrite) and shear zone (chalcopryrite/pyrite/galena) mineralization were also mapped and sampled.

Introductory material for this report has been abridged from the June, 1987 Geological Report on the Stu 1 & 2 mineral claims written by Caulfield and Ikona.

The author, S. Todoruk, has been on the subject property extensively during the work program. The co-author, C.K. Ikona, examined the property in August, 1987 and September, 1988.

PROPERTY LOCATION



KESTREL RESOURCES LTD.

STU 1 & 2 CLAIMS PROPERTY LOCATION MAP

0 100 200 MILES
0 100 200 300 KILOMETRES

PAMICON DEVELOPMENTS LTD.

Drawn J.W.	N.T.S. 104 B/10W	Date DEC. 1987	FIGURE 1.
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A detailed report on the 1987 work program was completed in December, 1987. The 1987 report included detailed geological and sampling maps at a scale of 1:5,000. This revised edition of the 1987 report is intended to summarize the 1987 report and includes in an addendum a summary of the 1988 program. For this report the geological map has been deleted and the sampling map has been reduced in scale to show the eastern portion of the Stu 2 claim where a majority of the significant assays are located. Readers are invited to examine the 1987 report for a complete description of the claim group.

Section 9.1 of this report presents a detailed recommended budget for additional work on the property. This budget conforms to that recommended in the 1987 report with slight modifications reflecting the 1988 work program.

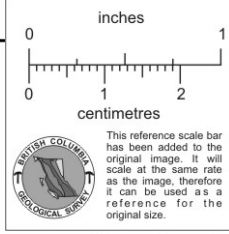
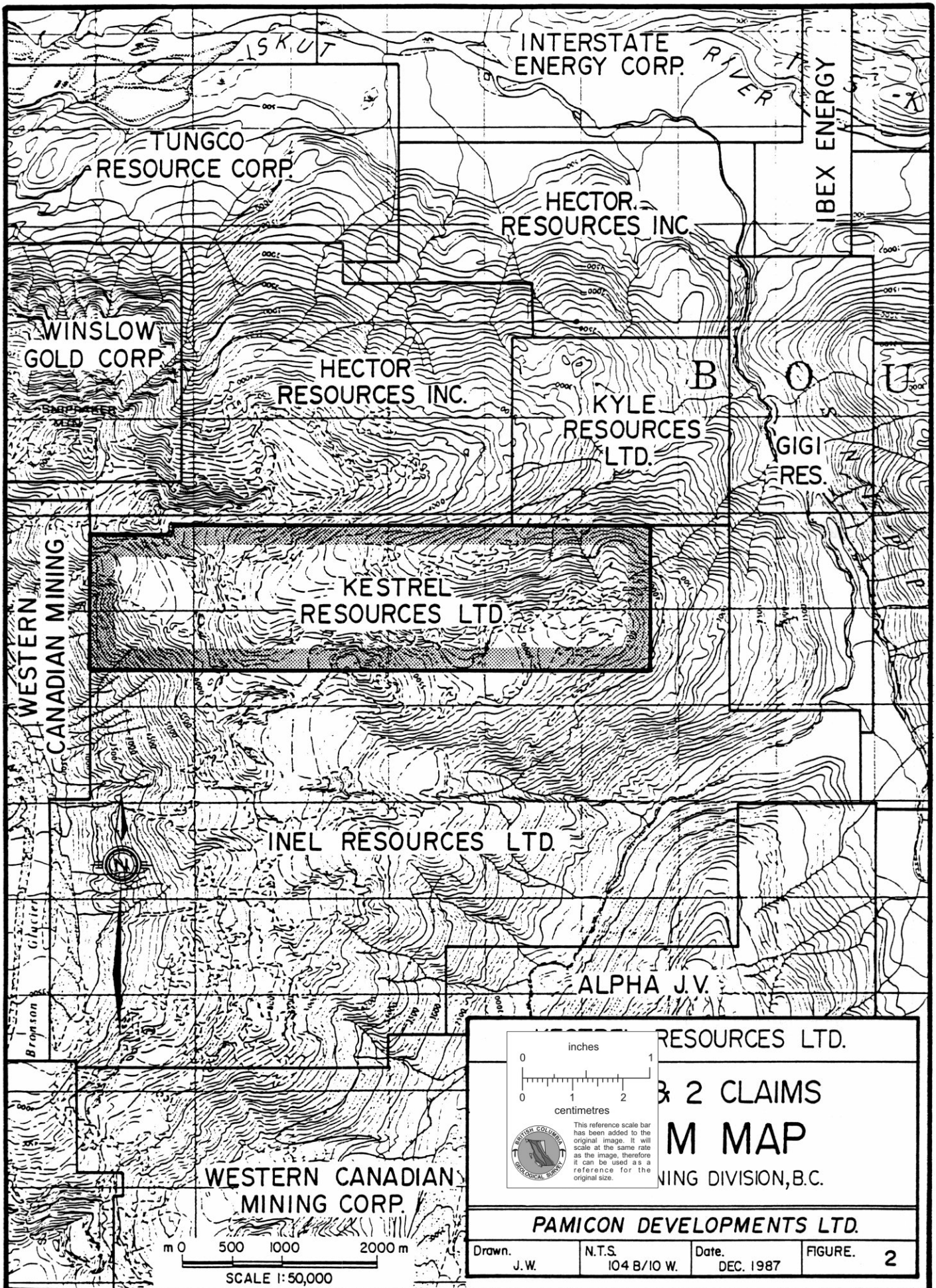
2.0 LIST OF CLAIMS

Records of the British Columbia Ministry of Energy, Mines and Petroleum Resources indicate that the following claims (Figure 2) are owned by Mr. I. Hagemoen. Separate documentation shows the group has been acquired by Kestrel Resources Ltd.

<u>Claim Name</u>	<u>Record Number</u>	<u>No. of Units</u>	<u>Record Date</u>	<u>Year of Expiry</u>
Stu 1	3716	18	December 5, 1987	1992
Stu 2	3717	18	December 5, 1987	1992

3.0 LOCATION, ACCESS AND GEOGRAPHY

The Stu 1 & 2 mineral claims are located on the eastern edge of the Coast Range Mountains approximately 110 kilometres northwest of Stewart, British Columbia. The property covers the southern flank of Snippaker Mountain. The Stu claims lie within the Liard Mining Division centred at 56° 38' north latitude and 130° 55' west longitude.



RESOURCES LTD.
3 2 CLAIMS
M MAP
MINING DIVISION, B.C.

PAMICON DEVELOPMENTS LTD.

Drawn. J.W.	N.T.S. 104 B/10 W.	Date. DEC. 1987	FIGURE. 2
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Access to the property is by helicopter from the Bronson Creek air strip located approximately 10 kilometres to the west. Daily scheduled flights to the strip from Smithers and Terrace have been available during the field season using fixed wing aircraft. The air strip is being readied to accommodate DC-3 aircraft.

A proposal by C.K. Ikona of Pamicon Developments Ltd., on behalf of Skyline Explorations Ltd., addresses the construction of a road approximately 65 kilometres long, on the south side of the Iskut Valley to connect the Stewart-Cassiar Highway with a proposed BC Hydro dam site on the Iskut River and Skyline's Stonehouse Gold deposit.

Geographically, the area is typical of mountainous and glaciated terrain with the elevations ranging from under 150 metres above sea level along the slopes of Bronson Creek to in excess of 2100 metres on Snippaker Mountain ridge. Most of the property occurs above tree line although the lower elevations may be covered with a dense growth of spruce and slide alder.

Rugged topography, glaciers, climate and vegetation all inhibit traversing throughout the area. Operating with local helicopter support is the most practical and cost effective means of exploring the Stu claims.

4.0 AREA HISTORY

The first recorded work done in the Iskut Region occurred in 1907 when a prospecting party from Wrangell, Alaska staked nine claims north of Johnny Mountain. Iskut Mining Company subsequently worked crown granted claims along Bronson Creek and on the north slope of Johnny Mountain. Up to 1920, a 9 metre adit revealed a number of veins and stringers hosting galena and gold-silver mineralization.

In 1954, Hudsons Bay Mining & Smelting located the Pick Axe showing and high grade gold-silver-lead-zinc float on the open upper slopes of Johnny Mountain,

which today is part of Skyline Explorations Ltd.'s Reg deposit. The claims were worked and subsequently allowed to lapse.

During the 1960s, several major mining companies conducted helicopter borne reconnaissance exploration programs in a search for porphyry-copper-molybdenum deposits. Several claims were staked on Johnny Mountain and on Sulphurets Creek.

Between 1965 and 1971, Silver Standard Mines, and later Sumitomo, worked the E + L prospect on Nickel Mountain at the headwaters of Snippaker Creek. Work included trenching, drilling and 460 metres of underground development work. Reserves include 3.2 million tons of 0.80% nickel and 0.60% copper.

In 1969 Skyline staked the Inel property after discovering massive sulphide float originating from the head of the Bronson Creek glacier.

During 1972, Newmont Mining Corporation of Canada Limited carried out a field program west of Newmont Lake on the Dirk claim group. Skarn-type mineralization was the target of exploration. Work consisted of airborne and ground magnetic surveys, geological mapping and diamond drilling. One and one-half metres grading 0.220 ounces gold per ton and 15.2 metres of 1.5% copper was intersected on the Ken showing.

After restaking the Reg property in 1980, Skyline carried out trenching and drilling for veined high-grade gold and polymetallic massive sulphide mineralization on the Reg and Inel deposits between 1981 and 1985.

In 1986, drilling and 460 metres of underground cross-cutting and drifting on the Stonehouse Gold Zone confirmed the presence of high grade gold mineralization with additional values in silver and copper over mineable widths with good lateral and depth continuity. As of January 1988, reserves on the Stonehouse Gold Zone were reported as:

	<u>Au</u> (oz/ton)	<u>Tons</u>
Total Measured	1.246	121,000
Total Drill-Indicated	0.556	236,875
Total Inferred	<u>0.570</u>	<u>700,000</u>
Subtotal	0.644	1,057,875
McFadden	<u>2.800</u>	<u>30,000</u>
Ore Reserve Total	0.704	1,087,875

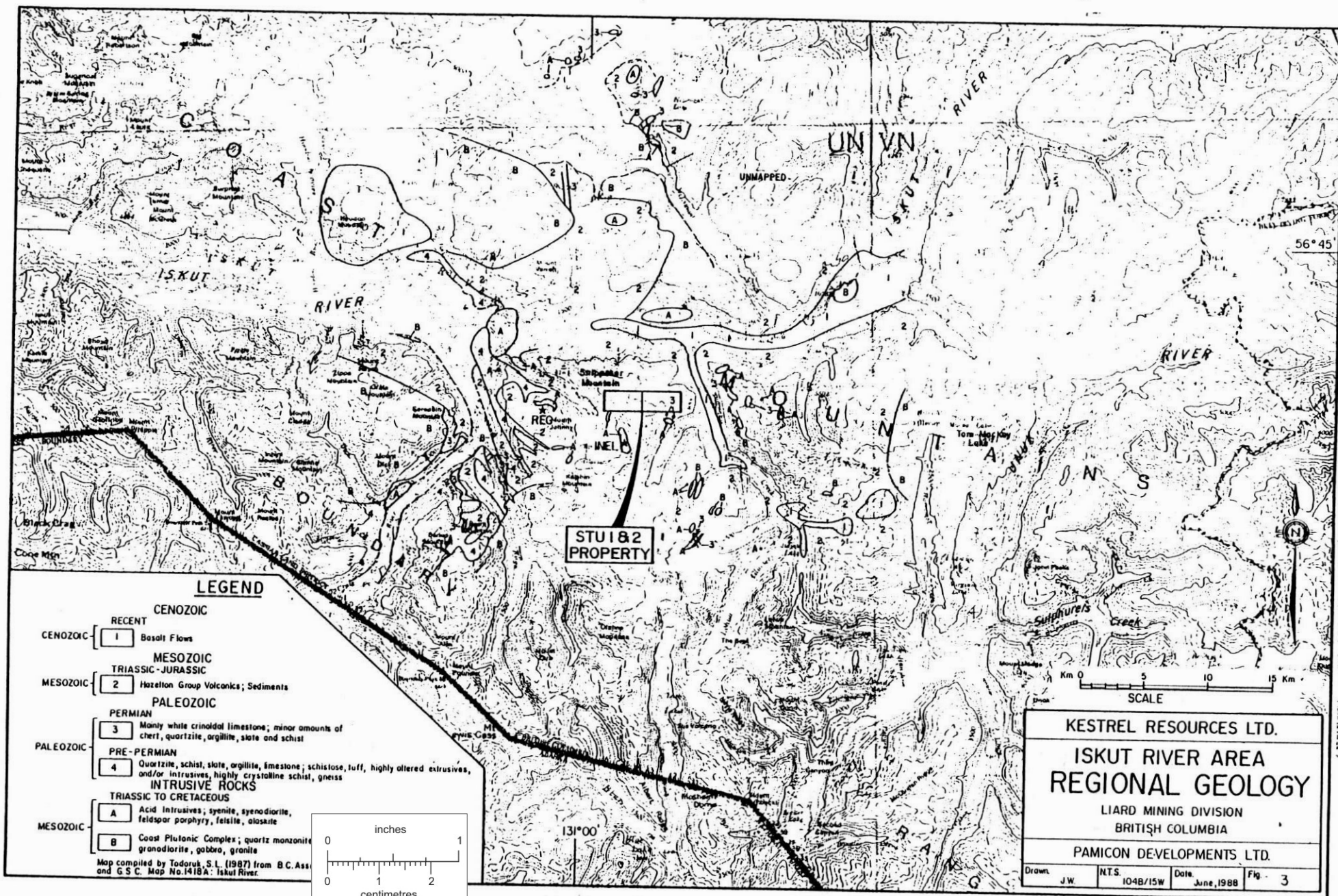
On the Delaware Resources Ltd./Cominco Snip claims immediately north of the Stonehouse Gold deposit, approximately 10,000 metres of diamond drilling was carried out, mainly delineating the Twin Zone. Drill hole S-71 intersected 10.2 metres of 2.59 oz/ton gold. An underground program began in early 1988. As of December, 1987, total inferred reserves published were as follows:

	<u>Au</u> (oz)	<u>Tons</u>
Total Inferred	0.700	1,100,000

Also, during 1987 and 1988 Inel Resources Ltd. commenced an underground drifting and diamond drilling program along the main cross cut intent on intersecting the Discovery Zone which hosts gold-bearing polymetallic massive sulphide mineralization.

Western Canadian Mining Corp. carried out an extensive diamond drilling program on their Gosson claims, concentrating on the Khyber Pass Gold Zone which is 45 metres thick. The best drill hole intersection in this zone to date is as follows:

<u>Hole</u>	<u>From</u> (m)	<u>To</u> (m)	<u>Length</u>		<u>Gold</u> (oz/t)	<u>Silver</u> (oz/t)	<u>Copper</u> (%)
			(m)	(ft)			
85-3	11.2	16.8	5.6	18.4	0.12	6.48	1.74
	30.2	44.2	5.2	17.1	0.17	2.66	0.90
	54.5	60.1	5.6	18.4	0.15	1.77	--
	66.0	69.0	3.0	9.8	0.28	1.54	--



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KESTREL RESOURCES LTD.			
ISKUT RIVER AREA REGIONAL GEOLOGY			
LIARD MINING DIVISION BRITISH COLUMBIA			
PAMICON DEVELOPMENTS LTD.			
Drawn	J.W.	N.T.S.	1048/15W
Date	June, 1988	Fig	3

Tungco Resources Corporation drill tested three main gold/copper quartz vein targets; the Bluff, No. 7 and Swamp Zones. The Bluff Zone has been delineated 70 metres along strike and 60 metres downdip with better intersections grading up to 0.243 oz/ton gold across 2.45 metres. The No. 7 Vein returned 1.12 metres of 0.651 oz/ton gold.

Hector Resources Ltd. carried out a drilling program on the Golden Spray Zone located immediately to the north of the Stu 2 claim. Surface trenches on this zone indicate a strike length of 300 metres. Drilling on the main zone intersected massive pyrite in quartz veining up to 1.5 metres in width with values up to 0.2 ounces gold per ton and 5.0 ounces silver per ton.

5.0 REGIONAL GEOLOGY

Government mapping of the general geology in the Iskut River area (Kerr, 1929, GSC Maps 9-1957 and 1418-1979) has proved to be incomplete and unreliable. Subsequent mineral exploration studies have greatly enhanced the lithological and stratigraphic knowledge of this geo-entity known as the Stewart Complex (Grove, 1986).

Grove (1986) defines the Stewart Complex in the following manner:

"The Stewart Complex lies along the contact between the Coast Plutonic Complex on the west, the Bowser Basin on the east, Alice Arm on the south and the Iskut River on the north."

Within the Stewart Complex the oldest rock unit consists of Paleozoic crinoidal limestone overlying metamorphosed sedimentary and volcanic members (Figure 3). This oceanic assemblage has been correlated with the Cache Creek Group.

Unconformably overlying the Paleozoic limestone unit are Upper Triassic Hazelton Group island arc volcanics and sediments. These rocks have informally

been referred to as the "Snippaker Volcanics." Grove (1981) correlates this assemblage to the Unuk River Formation of the Stewart Complex whereas other writers match this group with the time equivalent Stuhini Volcanics. Monotis fossils have been recognized on the north slope of Snippaker Peak and west of Newmont Lake, 20 km to the north, giving an age Late Triassic. It is within these rocks that Skyline's Stonehouse Gold and Inel deposits occur.

Grove reports an unconformable contact between Carboniferous and Middle Jurassic strata on both sides of Snippaker Ridge, north of Snippaker Peak. The same unconformable relationship between these major rock units appears to extend from Forrest Kerr Creek west, along the Iskut River, to the Stikine River junction. Present interpretation suggests an east-west trending thrust along the axis of the Iskut River which, like the King Salmon Thrust Fault, pushed up and over to the south.

Following the Iskut River thrust faulting, the entire region was overlain by Middle Jurassic Hazelton Group volcanic-sedimentary rocks named the Betty Creek Formation by Grove (1986).

The batholithic Coast Plutonic Complex intrusions in the Iskut region are of Cretaceous and Tertiary age. Composition varies from quartz monzonite and granodiorite to granite. Satellitic subvolcanic acidic porphyries may be important in the localization of mineralization.

Quaternary and Tertiary volcanics occur to the east along the Iskut River near Forrest Kerr Creek and north at Hoodoo Mountain.

6.0 PROPERTY GEOLOGY

The lithologies on the Stu 1 & 2 claims were briefly examined on a general nature while prospecting was being carried out by the author and a prospector. Unit boundaries were subsequently plotted on an air photo base at a scale of 1:5,000. Limestone is the oldest unit seen which is successively overlain

by an argillite/siltstone/greywacke sequence which in turn is overlain by an andesite agglomerate unit. Feldspar porphyry and andesite dykes cut both the argillite/siltstone/greywacke and agglomerate.

Five rock types were found on the subject property. A brief description of the individual units is below:

Unit 1 - Limestone: Grey, massive, sometimes recrystallized. The only occurrence seen to date of the limestone unit is found on the east central area of the Stu 2 claim block where it forms an east-west trending wedge - possibly in fault contact with Unit 2 - the argillite/siltstone/greywacke sequence.

Unit 2 - Argillite/Siltstone: Bedded, fine-grained, black, often silicified, strongly fractured. This sequence predominantly hosts known mineralization in areas of feldspar porphyry and andesite dyking. Pyrite content is usually less than 1%.

Unit 3 - Andesite Agglomerate: Andesite fragments with plagioclase and hornblende phenocrysts up to 1 cm set in an andesitic matrix. Fragments are subangular to subrounded and up to 40 cm in size. Overall green colouration. Less than 1% pyrite.

Unit 4 - Feldspar Porphyry Dyke: Feldspar phenocrysts up to 2 cm in size; unit is usually massive and poorly fractured. Grey colouration overall. No mineralization. Up to 40 metres wide.

Unit 5 - Andesite Dyke: Medium-grained, green colouration, massive, poorly fractured, less than 1% pyrite, usually less than 1 metre wide.

Unit 6 - Diorite: Medium-grained, medium grey colour, massive. The only occurrence of diorite found on the property is immediately north of the Magnetite Zone where it is cut by strong quartz/epidote veining.

7.0 MINERALIZATION

A total of 256 rock chip and 47 soil samples were collected from the Stu 1 & 2 mineral claims in 1987. This program identified four main areas of mineralization; Billy Goat Bowl Zone, the toe of Zappa Glacier, central Stu 2 claim area and the Magnetite Zone (Figure 4). Prospecting in 1988 located additional mineralization in the southwestern portion of the claims (Addendum).

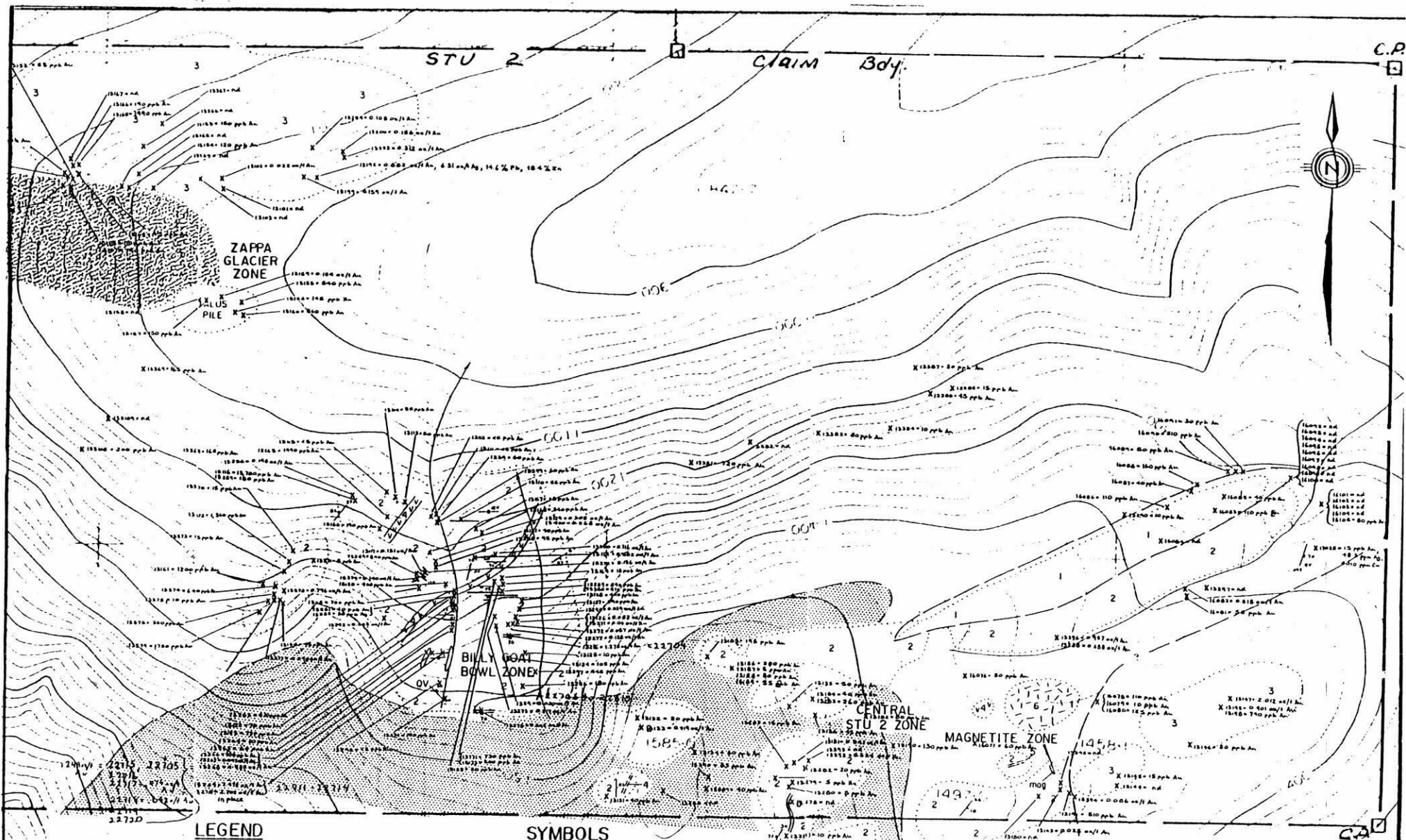
Billy Goat Bowl Zone

A wide array of mineralization was found in this area covering at least 500 m x 700 m just southeast from the toe of Zappa Glacier (Figure 5). The most prominent style of gold-bearing mineralization occurs in iron-carbonate (calcite) veins which often host pyrite and to a lesser extent galena and sphalerite. Sulphide veins vary from 2 to 4 cm and swell up to over 1.0 metre in width and to date individual veins have been traced along up to 50 metres in strike length. The general trend of the veins is 090/65 S. The veins have been continually traced up section from the 1000 metre elevation level to the bottom of a higher glacier/snow field at an elevation of 1400 metres where it appears very likely the carbonate/pyrite veins continue uphill under the existing snow cover. An atypical iron-carbonate vein with massive pyrite, at the 1400 metre level assayed as follows:

AREA 1		
Sample Number	Width (m)	Gold (oz/ton)
13275	0.35	0.502

Seven additional anomalous areas hosting similar mineralized iron-carbonate/pyrite ± galena ± sphalerite ± chalcopryrite veins were sampled down section from the 13275 vein. Assays were as follows:

Sample Number	Width (m)	Cu (ppm)	Pb (ppm)	Zn (ppm)	As (ppm)	Ag (oz/ton)	Au (oz/ton)
AREA 2							
13268	1.00	1,946	1,019	5,562	5,189	2.27	0.235
13269	select	--	--	--	--	2.26	2.472
	minzd						
	talus						
	grab						
13270	0.15	--	--	--	--	3.57	2.202
AREA 3							
13126	grab	--	3,309	--	--	2.31	0.082
13271	0.30	--	--	--	--	1.68	0.149
13277	0.25	--	--	--	--	0.14	0.143
13273	0.12	--	--	--	--	0.89	0.217
AREA 4							
13276	0.08	--	--	--	--	1.48	1.278
AREA 5							
13119	grab	9,686	10,672	32,364	26,067	3.65	0.302
13300	0.25	--	--	--	--	1.78	0.116
AREA 6							
13129	0.15	2,059	39,973	23,418	--	1.78	0.305
13400	0.06	2,978	8,863	55,095	--	1.64	0.268
AREA 7							
13117	0.08	2,248	70,815	32,805	--	2.10	0.131
15274	0.06	1,094	9,210	>10%	--	0.84	0.140
15275	0.10	1,836	20,197	>10%	--	1.35	0.136
AREA 8							
13377	0.05	--	--	--	58,154	0.85	0.090
13378	0.13	--	--	--	>10%	1.55	0.796



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STU 1 & 2 CLAIMS ROCK CHIP MAP

LIARD MINING DIVISION, B.C.

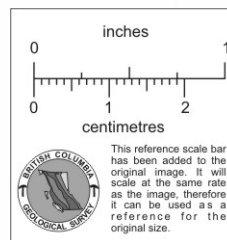
PAMICON DEVELOPMENTS LTD.

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NTS

Date: Nov 1987

FIGURE 4



At least one prominent feldspar porphyry dyke trending 040/90° (35 to 50 metres wide) appears to be responsible for the mineralizing event in the Billy Goat Bowl Zone. Iron-carbonate/sulphide and mineralized quartz veins have only been seen adjacent to the dyke. As well, several narrower andesite dykes (up to 1.0 to 1.5 metres) appear related to mineralization.

In addition to the iron-carbonate/pyrite vein style of mineralization, several quartz veins with sphalerite + chalcopyrite + galena + pyrite were sampled. Low gold values were reported, however, zinc was greater than 10% in certain veins.

Zappa Glacier Zone

Several samples of mineralized talus were obtained from the receding toe of Zappa Glacier near the headwaters of Zappa Creek (Figure 5). The most common form of mineralization was galena + sphalerite + chalcopyrite in quartz vein material. Typical glacially rounded boulders which host mineralization vary in size from 10 cm to 1.5 metres in diameter. Sources have not yet been located as to the mineralization's origin. Assays from selected mineralized boulders are listed below:

Sample Number	Cu		Pb		Zn		Ag (oz/ton)	Au (oz/ton)
	(ppm)	(%)	(ppm)	(%)	(ppm)	(%)		
13192		0.37		14.60		18.4	6.31	0.582
13199	1,670		3,785		30,133		1.29	0.159
13200	1,541		--		--		0.39	0.156
13159		0.63		1.98		4.2	3.01	0.154
13253	7,987		3,257		20,842		3.55	0.312
13254	1,663		11,302		13,137		3.91	0.108

Southeast Stu 2 Claim Area

In the southeast Stu 2 claim area (Figure 5) mineralization is again related to the intrusion of andesite and feldspar porphyry dykes. The andesite dykes vary from 0.5 m to 1.0 m and often occur in swarms where up to 3 dykes may be seen in close proximity to mineralization. Feldspar porphyry dykes vary up to 2 to 4 metres in width.

Pyritic sulphide veins occur immediately adjacent several andesite dykes. Within the area of Sample 13133, several discontinuous above mentioned veins are present adjacent several dykes within a dyke swarm. The dykes and veins have a general east-west trend and dip steeply to the south. Individual veins are up to 30 to 40 cm in width. Samples 13181 and 13392 are of similar veins. Assays are listed below:

Sample No.	Width (m)	Cu (ppm)	As (ppm)	Ag (oz/ton)	Au (oz/ton)
13133	0.30	543	485	0.11	0.419
13181	0.50	4,248	38,668	0.85	0.342
13392	0.50	4,566	43,387	0.58	0.354

Toward the east central edge of the Stu 2 claim block, narrow auriferous quartz vein stringers with galena, sphalerite and chalcopryrite are hosted within andesite agglomerate and in close proximity to feldspar porphyry dyking. Assays are as follows:

Sample No.	Width (m)	Cu (ppm)	Pb (ppm)	Zn (ppm)	Ag (oz/ton)	Au (oz/ton)
13147	0.03	1,098	11,856	14,898	1.11	2.012
13195	grab	302	1,914	2,125	1.15	0.901

Within the southeast corner of the Stu 2 claim block and approximately 300 metres north of the Magnetite Zone two samples of pyritic calcareous rock located near the western boundary of a large limestone ridge - possibly fault related - returned anomalous gold values as listed below:

Sample Number	Width (m)	Gold (oz/ton)
13396	0.50	0.957
13288	0.30	0.688

Further east several hundred metres along the south side of this limestone ridge grab samples of pyritic sediments returned the following anomalous sample:

Sample Number	Width (m)	Cu (ppm)	Pb (ppm)	Zn (ppm)	As (ppm)	Bi (ppm)	Ag (ppm)	Au (oz/ton)
16082	grab	1,160	668	1,056	9,089	1,163	5.23	0.318

Magnetite Zone

A lens of skarned massive magnetite with minor chalcopyrite + malachite/azurite measuring approximately 15 metres by 1 metre is located near the southern claim boundary in the southeast corner of the Stu 2 claim block (Figure 5). A narrow limestone band overlies the zone. Anomalous rock chip samples obtained appear below:

Sample No.	Width (m)	Cu (ppm)	Zn (ppm)	Ag		Au	
				(ppm)	(oz/ton)	(ppb)	(oz/ton)
13191	grab	205	71	0.4		510	
13143	grab	20,262	15,127		1.01		0.025
13394	0.5	4,588	996		0.38		0.086

8.0 DISCUSSION AND CONCLUSIONS

The Stu 1 & 2 mineral claims are underlain by Paleozoic limestone and Mesozoic greywacke/siltstone and andesite agglomerate. In the Iskut River area, this formation hosts several important gold deposits (Skyline Explorations Ltd., Delaware/Cominco Resources, Inel Resources Ltd.) as well as numerous promising prospects. Three main types of mineralization have been discovered in the area:

1. Gold/silver/copper in quartz/carbonate veins (Skyline, Delaware/Cominco, Tungco, Hector).
2. Volcanogenic massive sulphide with gold/silver/zinc/copper (Inel, Western Canadian Mining Corp.).
3. Skarn type auriferous massive pyrite \pm magnetite (Gulf International Minerals Ltd.).

The Kestrel Stu 1 & 2 property is situated immediately to the north of the Inel Resources Ltd. deposit which to date best typifies the second style of mineralization.

Iron-carbonate/pyrite \pm galena \pm chalcopyrite \pm sphalerite veins host significant gold mineralization. These veins have been traced from the 1000 metre

elevation level near the toe of Zappa Glacier all the way up the steep rock slope surfaces to in excess of the 1400 metre level (Billy Goat Bowl Zone) where atypical iron-carbonate/pyrite veins samples beneath glacier edges have returned extremely anomalous gold assays. Assays obtained to date have exceeded 2.0 ounces gold per ton in situ. Individual veins vary between 2 cm and 1.3 metres. The parallel veins possess an approximately consistent trend of 90/60-75 S.

Further to the east in the southeast corner of the claims, additional anomalous gold mineralization has been discovered in the form of pyritic fracture veins which appear closely related to andesite dyke swarming.

Narrow quartz vein stringers with galena/chalcopyrite/sphalerite and calcareous shear zone structures also host significant gold mineralization on the property.

Work to date has been of a preliminary nature with little detail follow up on any of the above described areas. The number of mineralized areas recognized at this time indicates that a serious exploration and development program on the property is warranted.

9.0 RECOMMENDATIONS

For the 1989 season prospecting and rock chip sampling should be continued in areas yet worked as this proved in 1987 and 1988 to be an extremely successful method in discovering gold mineralization.

As there is very little soil development other than along the southeastern boundary of the Stu 2 claim boundary, soil sampling will not be an effective exploration tool.

Accurately surveyed lines should be run over the southeast corner of the Stu 2 claim block which would be followed by a detailed geophysical survey consist-

ing of very low frequency EM and magnetometer. If possible, survey lines would also be placed on the Billy Goat Bowl Zone for mapping control purposes and geophysical surveying.

A program of trenching should then be undertaken to test anomalies and exposed showings of interest.

Upon a comprehensive compilation of all available data, a diamond drilling program would be initiated to test favourably mineralized targets.

The majority of the program would be helicopter assisted due to physiographic conditions. A camp should be constructed in close proximity to the property for better access.

9.1 BUDGET

PHASE I

GEOLOGICAL MAPPING AND PROSPECT SAMPLING

Wages

Project Geologist - 30 days @ \$300/day	\$ 9,000	
Prospector - 2 x 30 days @ \$225/day	13,500	
Helpers (geophysical surveying)		
- 2 x 30 days @ \$175/day	10,500	
Cook - 30 days @ \$175/day	<u>5,250</u>	
		\$ 38,250

Analyses

Assays (rock chips, soils) - 400 @ \$20/sample	8,000
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CAMP CONSTRUCTION	45,000
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SUPPORT - 200 man days @ \$125/man day	25,000
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TRENCHING SUPPLIES	3,000
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EQUIPMENT RENTALS - VLF, magnetometer, drill	4,000
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TRANSPORTATION

Vehicle Rental - 8 days @ \$50/day	\$ 400	
Airfares, fixed wing, helicopter	<u>27,000</u>	
		27,400

REPORT	<u>3,500</u>
Subtotal	154,150
Contingency @ 10%	15,400
Management @ 15% (expenses only)	<u>20,687</u>
TOTAL	<u>\$190,237</u>

PHASE II

Contingent upon the success of the Phase I program, it is estimated that an additional \$400,000 should be made available for a diamond drilling program.

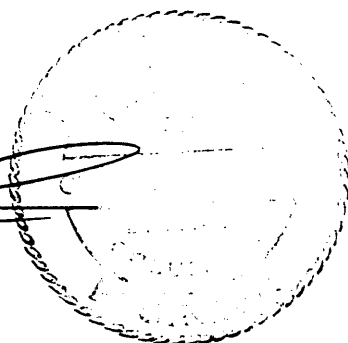
Respectfully submitted,



Steve L. Todoruk, Geologist



Charles K. Ikona, P.Eng.



APPENDIX I

BIBLIOGRAPHY

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Caulfield, D.A. and C.K. Ikona (1987): Geological Report on the Stu 1 & 2 Mineral Claims.

Tungco Resources Corporation: News release dated December 1, 1987.

Western Canadian Mining Corp.: News release dated November 12, 1987.

APPENDIX II

STATEMENT OF QUALIFICATIONS

STATEMENT OF QUALIFICATIONS

I, STEVE L. TODORUK, of 5700 Surf Circle, Sechelt, in the Province of British Columbia, DO HEREBY CERTIFY:

1. THAT I am a Geologist in the employment of Pamicon Developments Limited, with offices at Suite 711, 675 West Hastings Street, Vancouver, British Columbia.
2. THAT I am a graduate of the University of British Columbia with a Bachelor of Science Degree in Geology.
3. THAT my primary employment since 1979 has been in the field of mineral exploration.
4. THAT my experience has encompassed a wide range of geologic environments and has allowed considerable familiarization with prospecting, geophysical, geochemical and exploration drilling techniques.
5. THAT this report is based on data generated by myself from several visits to the property, under the direction of Charles K. Ikona, Professional Engineer.
6. THAT I have no interest in the property described herein, nor in securities of any company associated with the property, nor do I expect to receive any such interest.
7. THAT I hereby grant permission to Kestrel Resources Ltd. for the use of this report in any prospectus or other documentation required by any regulatory authority.

DATED at Vancouver, B.C., this 25 day of April, 1989.



Steve L. Todoruk, Geologist

APPENDIX III


ENGINEER'S CERTIFICATE

ENGINEER'S CERTIFICATE

I, CHARLES K. IKONA, of 5 Cowley Court, Port Moody, in the Province of British Columbia, DO HEREBY CERTIFY:

1. THAT I am a Consulting Mining Engineer with offices at Suite 711, 675 West Hastings Street, Vancouver, British Columbia.
2. THAT I am a graduate of the University of British Columbia with a degree in Mining Engineering.
3. THAT I am a member in good standing of the Association of Professional Engineers of the Province of British Columbia.
4. THAT this report is based on a research of all available information surrounding Kestrel Resources Ltd.'s mineral claims compiled by Steve Todoruk, with whom I have worked for four years, and in whom I have every confidence.
5. THAT I examined the property in August, 1987 and September, 1988.
6. THAT I have no interest in the property described herein, nor in securities of any company associated with the property.
7. THAT I consent to the use by Kestrel Resources Ltd. of this report in a Prospectus or Statement of Material Facts or any other such document as may be required by the Vancouver Stock Exchange or the Office of the Superintendent of Brokers.

DATED at Vancouver, B.C., this 22nd day of April, 1989.


Charles K. Ikona, P.Eng.



PAMICON

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A D D E N D U M

April 26, 1989

Kestrel Resources Ltd.
1124, 470 Granville Street
Vancouver, B.C. V6C 1V5

Dear Sirs:

This letter is in regard to our report dated December, 1987 on Kestrel Resources' Stu 1 & 2 claims located in the Iskut River area of B.C.

A minimal work program was conducted on these claims during the 1988 field season. During early 1988, a recommended airborne geophysical survey consisting of magnetic and electromagnetic surveys was completed. Flight line spacings were at 250 metre intervals. No obvious geophysical targets were identified from the surveys.

A minimal prospecting program was carried out during August-September, 1988 on the claim group. This program identified several new mineralized structures in areas on the western portion of the claims which were not prospected during the 1987 field program. Selected results are tabulated below:

Sample Number	Description	Cu (ppm)	Pb (ppm)	Zn (ppm)	Ag (ppm)	Au (oz/ton)
22704	select grab, 25 cm pyritic band				26.8	0.648
22689	select grab, sub o/c abundant minzsd boulders to 1.0 m	9,648	28,073	36,152	82.6	0.188
22711	select grab, 15 cm pyrite vein				34.5	0.303
22693	0.3 x 1.0 m minzed talus block	--	30,708	>10%	34.5	--

Sample Number	Description	Cu (ppm)	Pb (ppm)	Zn (ppm)	Ag (ppm)	Au (oz/ton)
22699	select grab over 25 cm alteration zone	--	23,831	>10%	>100.0	
22758	select grab across 1.5 m silicified shear zone	--	6,790	>10%	5.7	--
22732	select grab across 40 cm shear	2,058	--	>10%	23.1	--
22742	select grab across 1.0 m vein (strikes for 75 m)	77,856	1,200	1,289	>100.0	--
22743	select grab of vein 20 m along from 22742	8,355	775	1,361	63.1	--
22744	select grab of vein 30 m along from 22742	31,553	1,435	12,904	>100.0	--
17612	select grab, minzd pods in zone 5 x 40 m	2,596	10,975	72,018	9.6	0.108
17613	select grab, 20 m along strike from 17612	1,007	7,810	69,418	7.3	0.073
17614	select grab, 5 m along strike from 17612	2,219	15,190	68,820	15.1	0.146
17617	select grab of pyritic calcareous rock	--	--	--	--	0.222
17618	select grab, altered volcanics and pyrite	--	--	--	--	0.564
17620	select grab, massive pyrite vein	1,629	--	--	7.8	0.405
17622	select grab, pyrite pods in zone 8 x 30 m	--	--	--	7.2	0.659
17635	select grab, sulphide-rich breccia	2,980	24,888	>10%	>100.0	--

The program concentrated on prospecting with only a minimal follow up by geological personnel and was supervised by S. Todoruk.

Of the program recommended in our 1987 report only the airborne survey and some prospecting work was accomplished in 1988. Based on this work the 1989 budget should continue the geological and sampling program in the area of the

showings discovered during 1988. This would be balanced by a decrease in the 1987 budget which reflects the completed airborne survey cost resulting in a total recommended budget.

Yours truly,

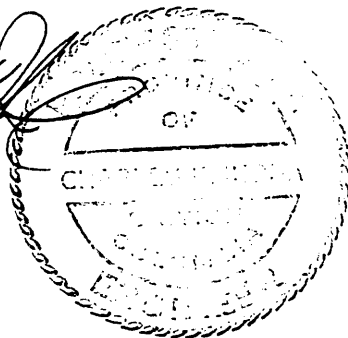


Steve Todoruk, Geologist



Charles K. Ikona, P.Eng.

SLT-CKI/cg



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March 22, 1989


Kestrel Resources Ltd.
1124, 470 Granville Street
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Dear Sirs:

This letter is in regard to our report dated December, 1987 on Kestrel Resources' Stu 1 & 2 claims located in the Iskut River area of B.C.

A minimal work program was conducted on these claims during the 1988 field season. Some additional showings with values in precious metals were discovered during the course of the program. This work while positive did not materially alter the results of the 1987 program reported on or the conclusions and recommendations contained therein.

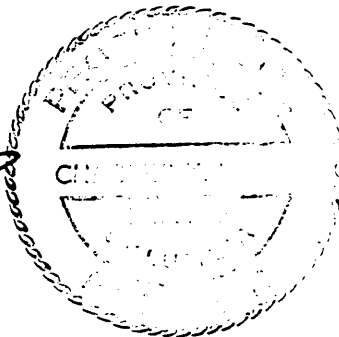
Yours truly,



Steve Todoruk, Geologist



Charles K. Ikona, P.Eng.



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