

SUMMARY
FRASERGOLD PROPERTY
EUREKA RESOURCES, INC.

GENERAL:

Strata bound gold deposit in Triassic sedimentary rocks established over a strike length of 8 kilometres.

LOCATION:

100 kilometres east of Williams Lake, in south-central British Columbia. The property is located in the Cariboo Mountains, with elevations ranging 1200-2000 meters (asl). The principle workings are at the 1500 meter elevation. Good 2-WD access is possible to the main workings, with 4-WD access to most areas of the claims.

CLAIMS:

The property consists of 41 located mineral claims (362 units), or approximately 10,000 hectares. All claims are in good standing until 1996-2001, with the principle claims in good standing until 1999-2001.

HISTORY:

Placer Gold in the area was discovered in 1902, and the stratabound source of gold was established by soil geochemistry in 1980. The bedrock source of gold in the sediments was discovered by drilling in 1983. Exploration and development of the property has been continuously carried out from 1983-1992.

To date, \$8.04 million dollars have been spent to explore and develop the property. This work consists of:

- 34,947 meters (308 holes) of both diamond and reverse circulation drilling
- 294 meters of underground tunnelling, of which in excess of over 2,000 tonnes of ore has been mill processed.
- collection of over 10 tonnes of bulk sample for metallurgical studies.
- collection of over 10,000 soil and rock chip samples for geochemical analysis and assays.

PROPERTY AGREEMENTS:

All claims are 100% owned or controlled by Eureka, (as noted) subject to the following encumbrances:

- 1) The original property vendor receives 200,000 shares of Eureka Resources, Inc. in the event of commercial production.
- 2) A former joint-venture partner receives a 3% NSR capped to a \$2.6 million maximum.
- 3) The Archimedes fractional claims are the subject of a 3% NSR.
- 4) Eureka owns 85% of the Kusk claims, which are also subject to an additional 10% working interest or 5% net profits interest.

GEOLOGY:

Mineralization of the Main Zone and principal geochemical target on the property is confined to a specific lithological unit within the 1500 meter thick sedimentary sequence of the Quesnel River Group. The unit is locally referred to as "knotted phyllite" and is made up of coarse elongated carbonate porphyroblasts in a lustrous, well laminated phyllite groundmass. Locally the knotted phyllite is up to 300 meters thick. It is within the basal 100 meter thickness of the knotted phyllite that mineralization of the Main Zone exists. Bedding attitudes strike 130 degrees, and dip 40 - 50 degrees S.W.

The favourable strata occur on the northeast limit of the Eureka Syncline. At least two structures have played a major role in development of gold mineralization, both of which are related to the formation of the Syncline.

S₁ is an axial plane schistosity which strikes 130 degrees, dipping 55-60 degrees S.W. In many places, bedding has been transposed to S₁, and the penetrative schistosity of S₁ has obliterated primary bedding features.

S₂ is a crenulation cleavage developed during the late folding stages of the Eureka Syncline. The strike sub-parallel S₁ (115-120 degrees) and dips 70-85 degrees S.W. within the drilled and developed area of the Main.

Particulate gold mineralization occurs primarily in quartz segregations such as stringers, veins, boudins, and mullions. Visible gold has been seen in many samples, commonly fine anhedral grains set in quartz often near the margins of veins.

Gold smears are found on phyllites in minor fold hinges, leading to the speculation that gold continued to migrate throughout the stages of main phase folding. Gold is often closely associated with coarse grained, creamy white dolomite and siderite within quartz.

ORE RESERVES AND POTENTIAL:

Ore reserves at Frasergold are classified into the following three categories:

- I Detailed drilling at a 25 meter density over a strike length of 800 meters and to depths of 75-100 meters has established 3,549,000 tons (70% drill measured) grading .050 ounces per ton gold. These reserves are based on a cut-off of .02 oz/T Au, after cutting all high values to 0.3 oz/T Au. The waste to ore ratio of open-pit mining is estimated at 5 to 1.
- II Drilling at 50 - 75 meter intervals, and including the established reserves, indicates a reserve base of 12-13 million tons grading .054 ounces per ton gold over a strike length of 3 kilometres to depths of 100 meters. These reserves are based on a cut-off of .02 oz/T Au after cutting high values to 0.6 oz/T Au. The waste to ore ratio of open-pit mining is estimated at 5-7 to 1.
- III Exploration drilling at 200-500 meter centres over the remainder of the 8 km. favourable lithology, and including the established and indicated reserves, allows for an overall geological reserve potential of 45,000,000 tons per 100 meters of vertical depth. Gold grades of this potential are not estimated due to the wide spacing of drill hole data. Approximately 60-65% of these reserves are within topography that is favourable for open-pit mining to depths of 100 meters.

The reserve potential is open at depth, the deepest drill hole intercept being 150 meters. It would be pure speculation at this time to estimate the ultimate depth of the deposit.

GOLD GRADES:

Because of the coarse "nuggety" clustering of gold particles, the gold content of the deposit has been very difficult to assess. Cutting of the high assays to 0.3 oz/T Au has reduced the average grade by as much as 20%. The cutting level of 0.3 oz/T Au has been derived from a detailed statistical evaluation of all assay data, and is believed by Eureka to be the "bottom-line" grade, which would be acceptable to bank feasibility.

Bulk sampling completed in 1988 and 1990, and a portion of the bulk sampling completed in 1991 has indicated the grade of the deposit to be 30-40% higher than drill grade estimates.

METALLURGICAL PARAMETERS:

A summary of preliminary metallurgical studies is as follows:

- 1) Cyanide: Milling indicates consistent recoveries of 90-95%;
Coarse crushing on limited basis indicates erratic recoveries ranging 30-80%;
- 2) Flotation: recoveries of 40-70%;
- 3) Gravity: recoveries of 20-40%;
- 4) Combined gravity/flotation: recoveries of 85-92%.

ECONOMIC CONSIDERATIONS:

A detailed feasibility study of the Frasergold deposit has yet to be produced. With this in mind, the following is based on an assortment of preliminary studies of the reserve base.

The 12-13 million ton reserve estimate would provide a 7 year mine life at a daily throughput of 5,000 tons. Without the details of a feasibility study, the following cost ranges are provided.

Capital Costs	\$50 - 70,000,000.
Operating Costs	\$12 - 15/ton.

Over a 7 year mine life, a cash flow analysis of these reserves would require a minimum of \$470/ounce gold Cdn. (\$400 U.S.) to provide an Internal Rate of Return of 20%. At \$350 (U.S.) per ounce gold, the reserve base is therefore only marginally or subeconomic.

To complete a feasibility study and development of the 12-13 million ton reserve base, the estimated costs approximate \$4 million.

The grade of Frasergold ore may be 25-40% higher than estimates provided by drill hole data:

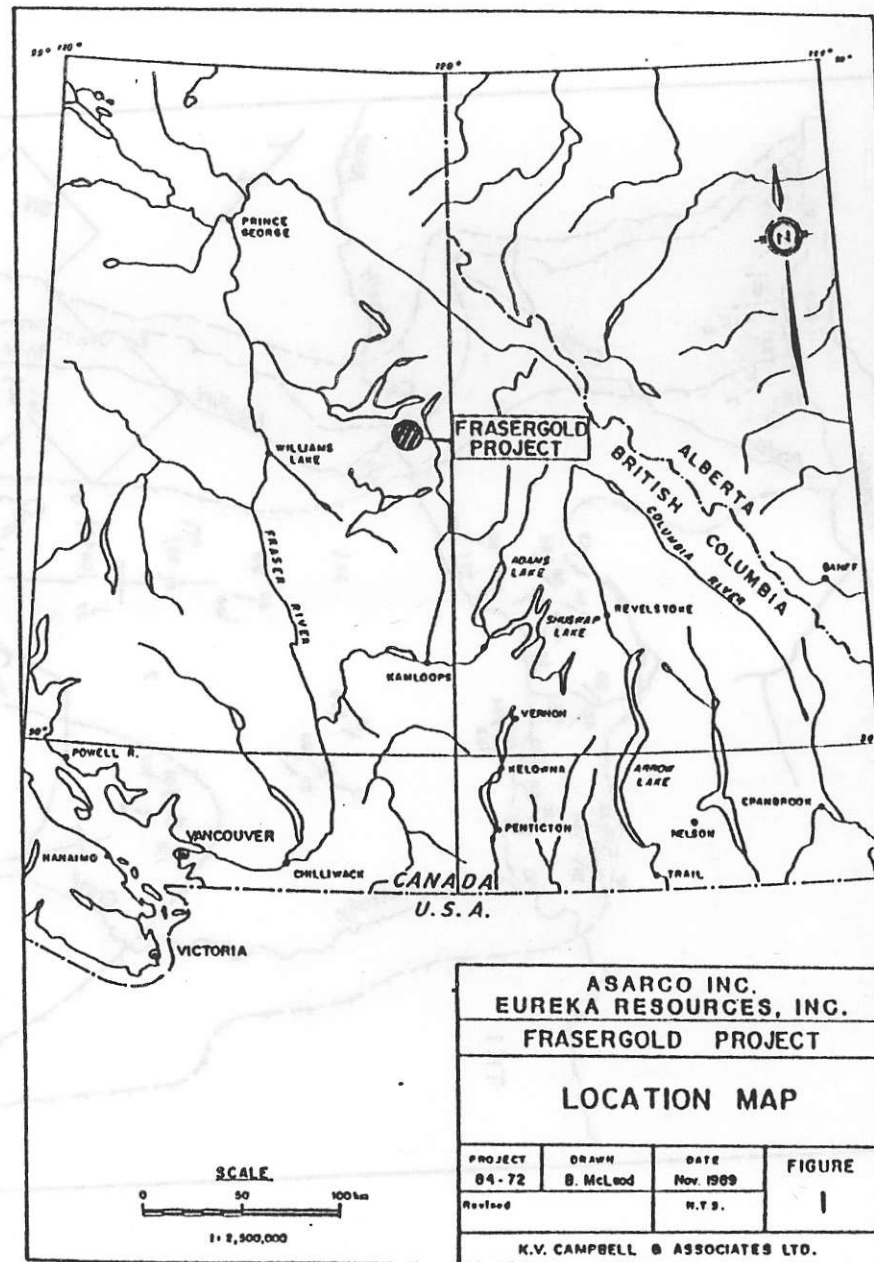
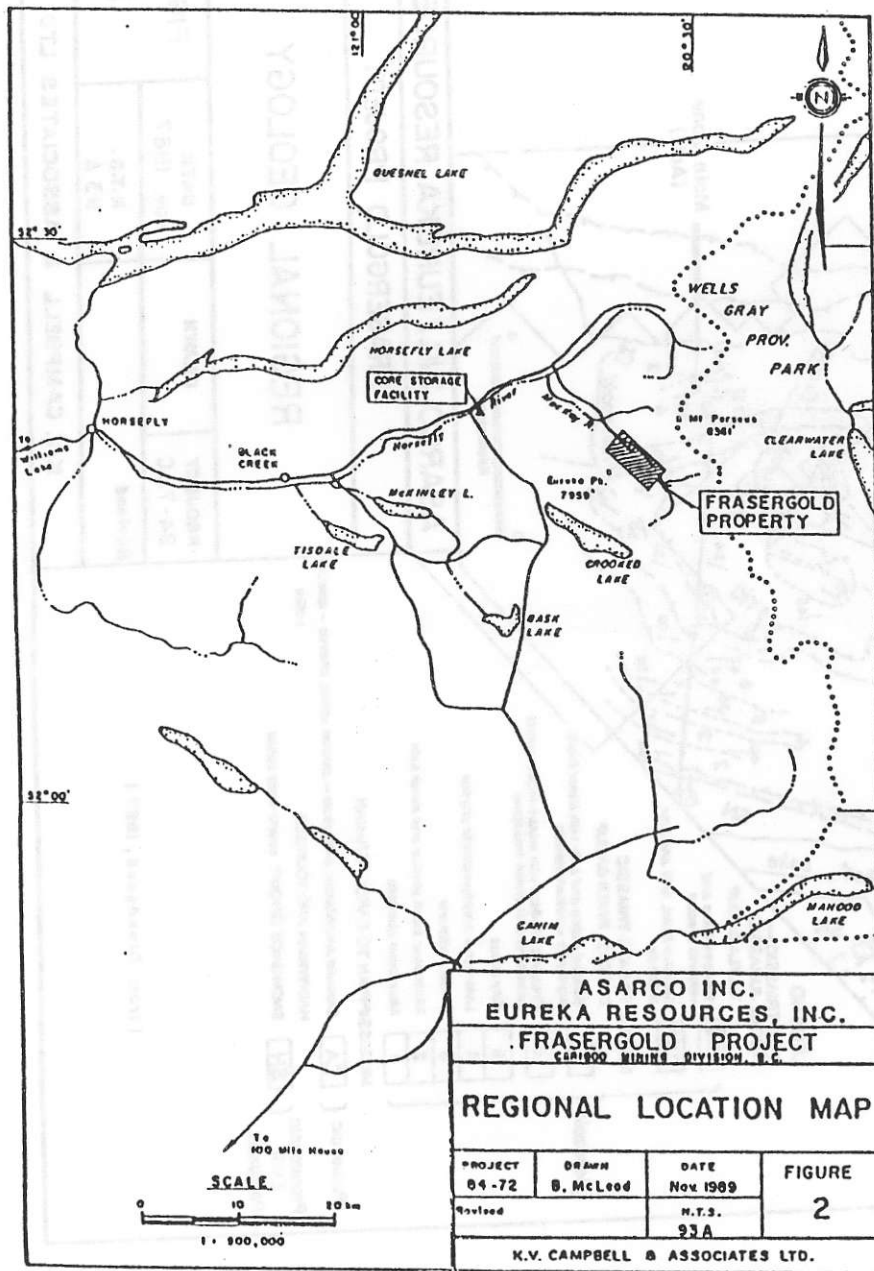
- 1) Cutting of high-grade assays to 0.3 oz./T Au has lowered the average grade of the deposit by 20%.
- 2) Historical bulk sampling has indicated grades 30-40% higher than drill hole grade estimates.

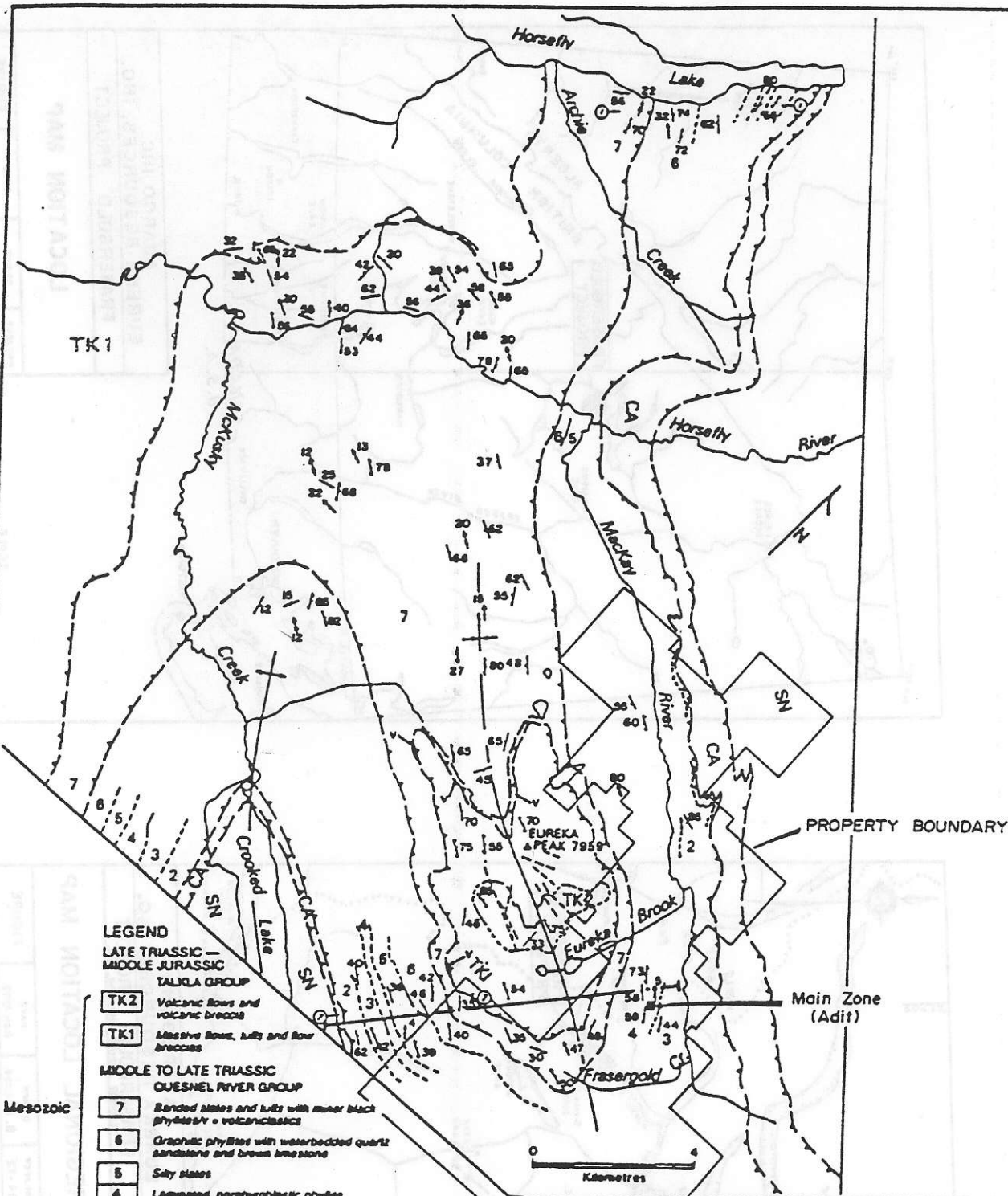
If it were confirmed that the average grade of Frasergold ore was 0.06 - 0.07 oz/T Au, the deposit would be economic at \$350/oz (US) Au.

EXPLORATION POTENTIAL:

A five kilometre strike length of the favourable lithology remains virtually unexplored, and historical drilling has not exceeded depths of 150 meters. It is felt certain that the deposit will contain sections of higher grade gold in this vast unexplored lithology, which may enhance the economics of the deposit with gold at \$350 (U.S.) per ounce.

A Phase I exploration program is recommended to cost \$1.0 million.





LEGEND

LATE TRIASSIC - MIDDLE JURASSIC

TALIGA GROUP

- TK2** Volcanic flows and volcanic breccia
- TK1** Massive flows, tuffs and flow breccias

MIDDLE TO LATE TRIASSIC

QUESNEL RIVER GROUP

Mesozoic

- 7** Banded slates and tuffs with minor black phylites + volcanoclastics
- 6** Graphitic phyllites with wavy-bedded quartz sandstone and brown limestone
- 5** Silty slates
- 4** Laminated, porphyroblastic phyllite
- 3** Phyllitic slates
- 2** Micaceous black phyllite and minor tuffs
- 1** Micaceous quartzite

MISSISSIPPIAN TO EARLY PERMIAN

Paleozoic

- CA** Crooked Amphiboles: amphibole - chlorite schist, chlorite - epidote schist

Proterozoic

HADRYNIAN AND YOUNGER

Early Paleozoic

- SN** SNOWSHOE GROUP: quartz-mica schist

(from Bloodgood, 1987)

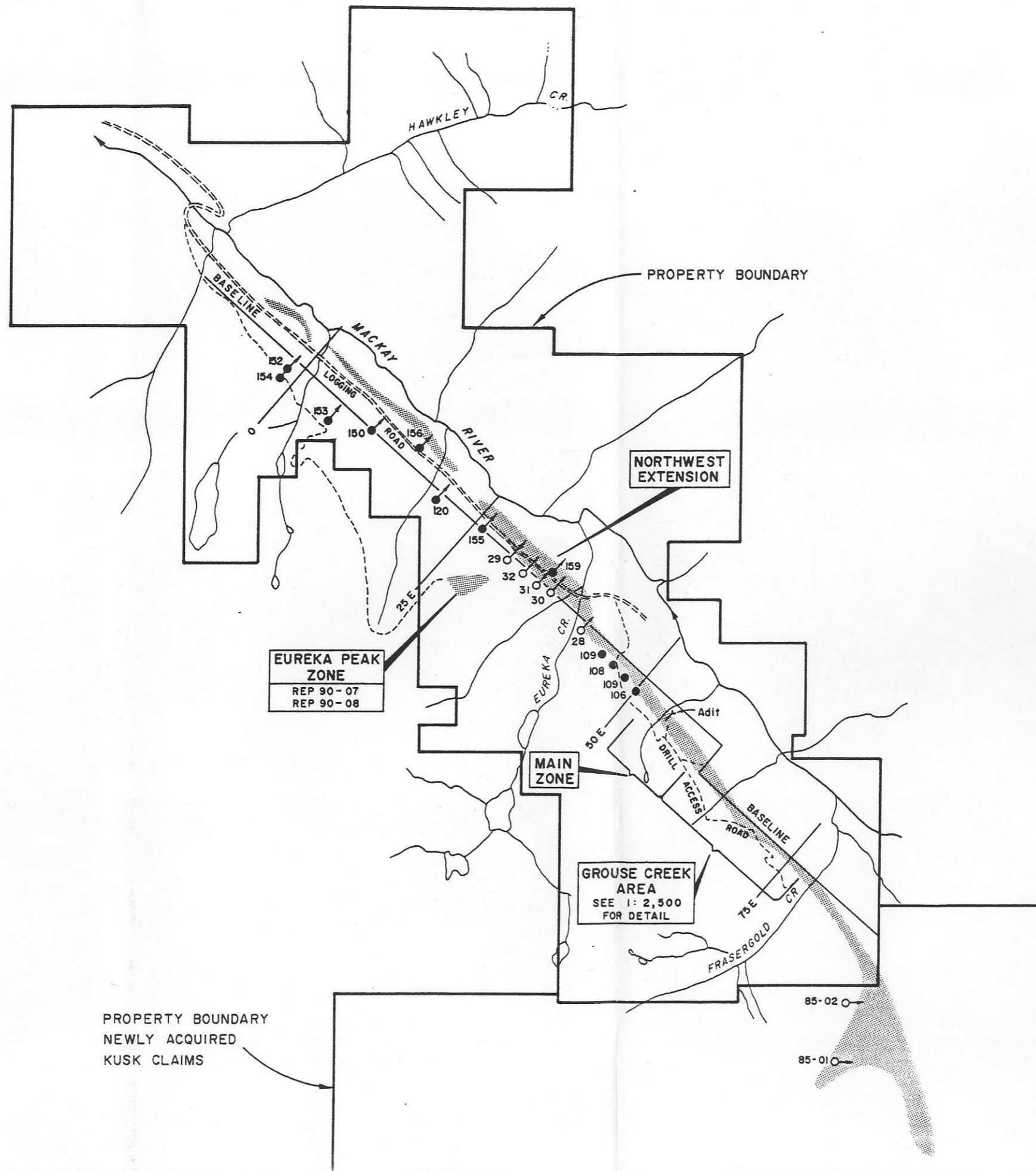
ASARCO INC./EUREKA RESOURCES INC.

FRASERGOLD PROJECT

REGIONAL GEOLOGY

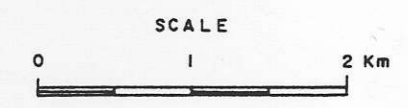
PROJECT 84-72C	DRAWN	DATE Nov. 1987	FIGURE 8
Revised		N.T.S. 93 A	

K.V. CAMPBELL & ASSOCIATES LTD.



LEGEND

- Gold Bearing Zone, defined by geochemically anomalous soils.
- 1985 & 1986 Diamond Drill Holes
- 1990 Diamond Drill Holes



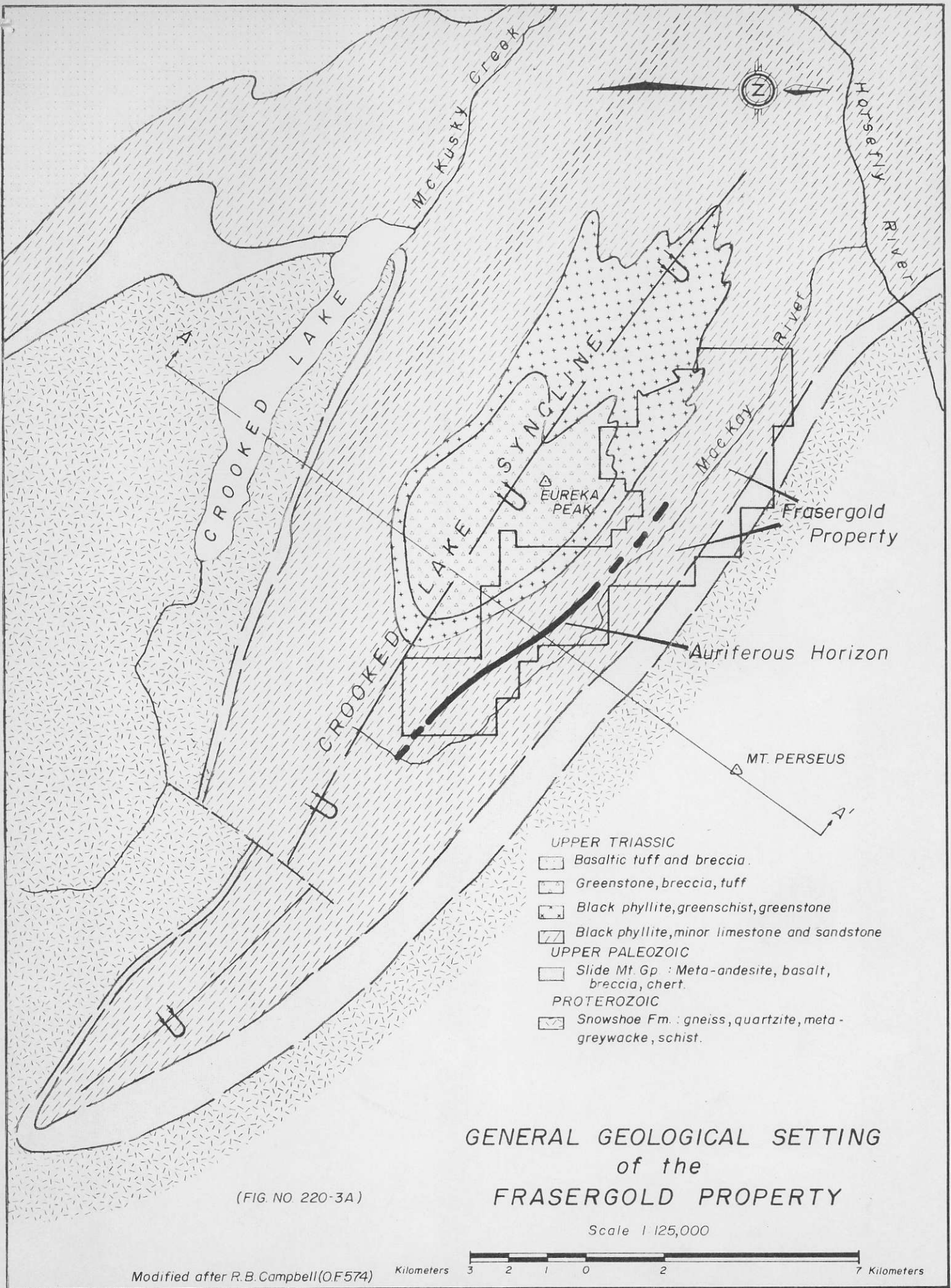
**ASARCO INC.
EUREKA RESOURCES, INC.**

FRASERGOLD PROJECT

WORK AREAS

SCALE	1:50,000	DATE	Oct. 1990	FIGURE	4
Revised		N.T.S.	93A/7E		

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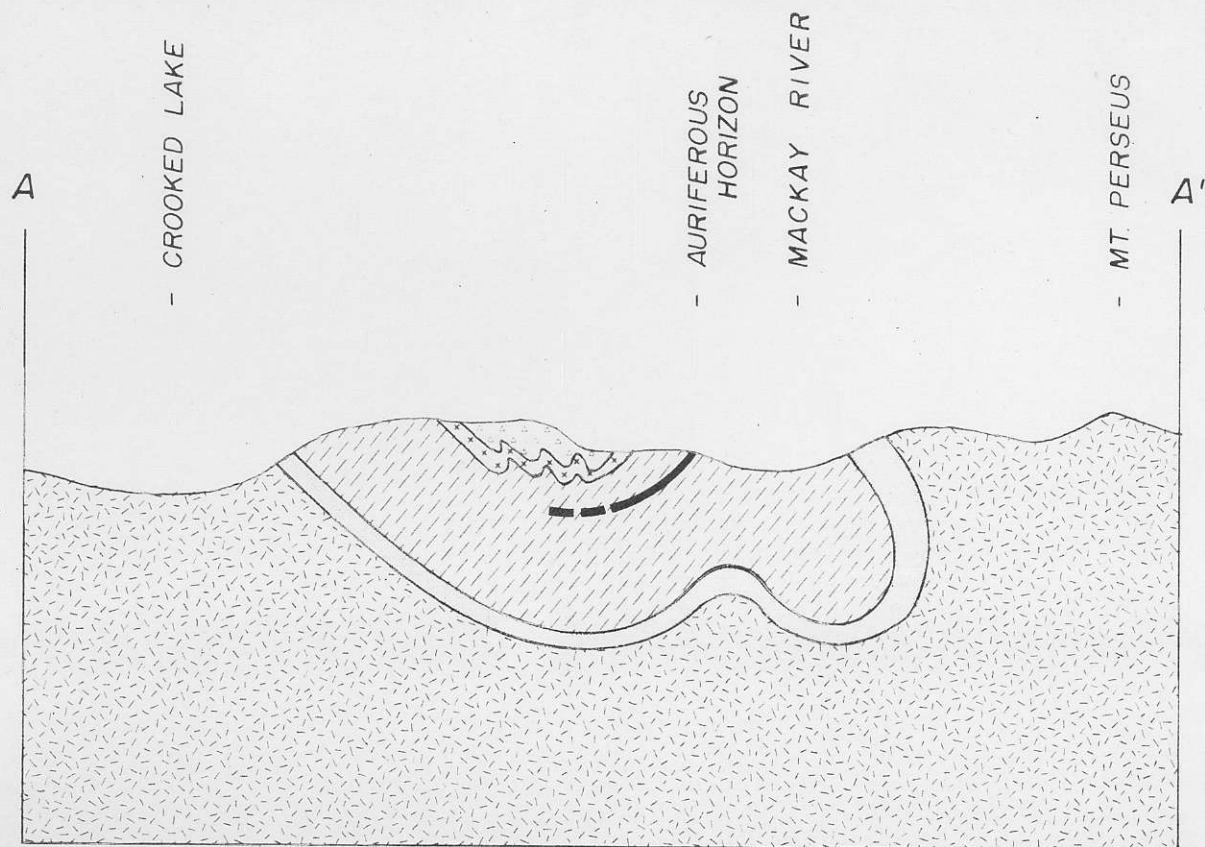


FIG. NO. 220-3B

STRUCTURAL INTERPRETATION ACROSS
THE CROOKED LAKE SYNCLINE

Jan 9/90.

Fraser gold

\$1.25 x 1 m²

- 20,000' DU

- Bulk sample 20T.

- Proposed.

— 11 —

12.7 mmt - .07 opt 150 m depth

- Roy Grant
Had looked
for VT.

min wt - 8-10 m.

18 m. Ave

some 25 m 50 m.

- 105. Hles
mit

- Major Co's

5 mmt well drilled

partly computerized

- dipping into hill @ 55'

- 7:1 stepping ratio *

- poor visual control.

Ember

4.7 m 155

\$500,000

$$.5 \text{ lu} = 10^{\#} - \$10 \times .7 = \boxed{\$7}$$

50

1:1

$$.06 \text{ Au} = 24 \times .90 = \$21.60$$

$\boxed{2:1} \pm$

Does it get thicker?

$$14,000,000 \times .07 = 980,000 \text{ g}$$

X

10.0

1.6

$\frac{10.0}{1.6} = 6.25$

$$= 6,125,000$$

Sambree?

$$1.25 \text{ MM} \times 500 \text{ MN}$$

$$125,000 \text{ gpy} = 1,250,000 \text{ gpy}$$

4,892 Tpd