

N.C. CARTER, Ph.D., P.Eng.

Consulting Geologist

1410 Wende Road
Victoria, B.C. V8P 3T5
(604) 477-0419

July 21, 1985

PROGRESS REPORT - AL PROPERTY

The following observations are based on a visit to the property July 16-18 and on a review of drilling results to date.

Three of the principal zones on the Al property (Thesis III, BV and Bonanza-Ridge) have been tested by an additional 28 holes, totalling approximately 4,000 feet or 1200 metres.

An estimate of expenditures to date is in preparation- it is understood that cost overruns were incurred in mobilization and camp construction. The writer's initial recommendations for combined Phase I and II expenditures of \$546,750 should allow for continued surface evaluation of the principal zones and other areas of the property following imminent completion of the current drilling program.

Thesis III Zone

The initial phase of diamond drilling of 11 HQ holes totalling 542.3 metres (1778.7 feet) was completed over a 12 day period beginning June 26.

Eight of these holes were drilled to confirm or amplify 1984 Kidd Creek results; the remaining three holes were step-outs at the northwest and southeast ends of the known gold-bearing structures.

Holes A85-01 and -02 (at -45° and -65° respectively) were collared 4 metres east of Kidd Creek hole A84-10 which intersected 32.25 g/t gold over a hole length of 16.7 metres but which was hampered by only 30% core recovery. The azimuth of these holes was 214° as opposed to 194° for A84-10 and core recoveries in the porous silicified unit are estimated to be in the order of 80%. Hole A85-03 was drilled on the same section line but from the south side of the mineralized trench.

Assay results from A85-01 confirm the high-grade nature of the mineralization and visible gold is readily seen in cores examined. Assuming a 3.43 g/t gold (0.10 oz/ton) cut-off grade, a 12.82 metre (42 ft.) section between 9.75 and 22.57 metres assayed 46.98 g/t (1.36 oz/ton) gold and included a 3.8 metre section (12.5 ft.) between 16.77 and 20.57 metres assaying 146.05 g/t (4.24 oz/ton) gold. Highest value was between 19.07 and 19.57 metres which yielded an average assay of 776.48 g/t (22.52 oz/ton).

Hole A85-02 and -03 intersected significant core lengths of similar material with sections grading in excess of 34 g/t (1 oz/ton) and indicate a near-vertical gold-bearing zone with a true width of 9.5 metres (30 feet) to a tested depth below surface of at least 20 metres (65 feet).

Visible gold has been reported in several other holes, including A85-04, drilled at -45° at 215° azimuth 14 metres northwest of the site of the first two holes. Preliminary assays indicate values in excess of 17 g/t (0.50 oz/ton) at shallow depths. Significant assays from hole A85-06, on the same section line (awaiting results) may effectively double the known depth of the zone.

Previous trenching and drilling indicate three parallel northwest-trending gold-bearing zones within the Thesis III structure over an aggregate width of 120 metres and a known strike length of 160 metres. Apparent boundaries of the main structure width are marked by northwest gullies which may represent major faults. The three known gold-bearing zones possibly occupy tensional fracture zones between the bounding faults and may be part of one structure which has been segmented by left-lateral faulting.

It is significant that zones of better gold grades in plan apparently occupy cymoid curve structures - this feature may also be present in a vertical sense.

Of the three known zones, the central zone is currently the most significant and has been tested by the first six 1985 drill holes and by a hole (A85-10) 25 metres southeast of holes A85-01 and -02. This latter hole is reported to contain visible gold and was drilled beneath a prominent transported gossan, the only surface indicator of the Thesis zone prior to trenching.

Holes A85-07, -08 and -09 were drilled to test the northern zone where lower gold grades were indicated over significant widths by previous trenching and drilling. The northwest part of the southern zone was tested by one hole (A85-11).

BV Zone

This zone has also been tested by 11 holes totalling 481.3 metres (1579 feet), completed over an eight day period ending July 16.

Holes were drilled at declinations of between -45° and -83° on southerly azimuths and over a distance of 480 metres along the strike of the zone. Eight holes were fill-in drilling between widely spaced Kidd Creek drilling in the central part of the zone which strikes west-northwest and dips steeply to the north. Like the Thesis III zones, better grade gold

mineralization is intimately associated with barite filled fractures within a silicified-pyritic-clay mineral alteration zone.

Two holes, A85-16 and -17, were significant step-out holes drilled to test the southeast extension of the zone 70-100 metres southeast of the easternmost Kidd Creek trench. These holes intersected 1 metre plus silicified and brecciated zones with barite and a possible silver-bearing grey mineral. Hole A85-22 was drilled at the known western limit of the BV zone.

Most of the silicified and brecciated zones intersected by drilling to date are generally of lengths of 2 metres or less, similar to previous Kidd Creek drilling. Sampling of cores was underway by July 19 and assay results may be available in about one week.

Bonanza-Ridge

At the time of my visit July 17, one angle drill hole was in progress to test the Ghost zone. This hole was completed late the same day and a second hole, collared that night, was completed the next morning. Three steeply inclined holes have been drilled to further define the high-grade Verranass zone at azimuths normal to previous Kidd Creek drilling.

No assays from this zone are expected for at least 10 days.

General Comments

Pending results of the Bonanza-Ridge drilling, best results will probably be forthcoming from the Thesis III zone which is being further tested by the last several holes of the current drilling program.

A proper flow of necessary information from the field has been initiated and daily assay results from the laboratory can be expected. Initial sampling of core was hampered by delays in camp construction and was put further behind by a very efficient drill crew.

Finally, one cannot help but be impressed by the size of the A1 property and the fact that there are undoubtedly more zones to be found. Additional surface work should be able to get underway following completion of the current drilling program later this week.