

### 3.0 GEOLOGY AND RESERVES

#### 3.1 History

A number of narrow, rich gold-bearing quartz veins were discovered in the Zeballos gold camp in the mid-1930's. Following these discoveries, several properties were brought into production, including the Spud Valley Gold Mine, which later became the second largest producer in the camp. Production began in 1938 and continued until 1942, when a shortage of labour forced the mine to close.

No further work on the property took place until 1985, when McAdam Resources undertook rehabilitation of No. 7 Level and carried out 2340 m of diamond drilling. Three major structures were encountered: the AT Vein, the Linton Vein and the Linton North Vein. Old mine workings were confined primarily to the Goldfield Vein to the south and the adjacent Roper Vein. An assay carrying 83.64 g Au/tonne (2.439 oz. Au/ton) over 1 m was found in G6 on the AT Vein.

Diamond drilling continued in 1986 - 1987. The most significant assays from this program included G20, which carried 109.32 g Au/tonne (3.188 oz. Au/ton) over 0.24 m and G24, which carried 88.64 g Au/tonne (2.585 oz. Au/ton) over 0.21 m. Both assays were from the AT Vein in the Spud Valley area. Other anomalous results in the AT Vein were found from drilling in Gold Valley, the highest of which was G9, which carried 8.92 g Au/tonne (0.260 oz. Au/ton) over 1.36 m.

G24 carried 31.55 g Au/tonne (0.92 oz. Au/ton) over 0.27 m on the Linton North Vein in Spud Valley. In Gold Valley, anomalous gold was found in most holes. The most notable were G9, which carried 114.98 g Au/tonne (3.353 oz. Au/ton) over 0.34 m, and G18, which carried 223.52 g Au/tonne (6.518 oz. Au/ton) over 0.64 m.

The Linton Vein was more variable, although there were some good results. The most significant of these included G11, carrying 22.01 g Au/tonne (0.642 oz. Au/ton) over 0.18 m and G12, carrying 24.76 g Au/tonne (0.722 oz. Au/ton) over 0.31 m. Both assays came from Gold Valley.

Further drilling took place in the summer of 1987 to test the eastern extension of these veins in Gold Valley. Results were less promising, although the structure of the veins remained strong.

Between September and December 1987, 518 m of drifting was carried out from the old workings on No. 7 Level. The purposes of this drifting were to bulk sample the three main structures encountered in the drilling program and to enable further diamond drill testing of the extent along strike of these veins between Spud and Gold Valleys. To this end, a cross-cut was driven 91 m north from the old workings which follow the Goldfield Vein, then 244 m east parallel to the old No. 7 Level. A cross-cut 183 m long was then driven north to intersect the 3 major structures. Diamond drilling will take place from the drift parallel to the old No. 7 Level.

Of the three structures, the Linton North Vein appeared to be the most encouraging, both from existing drilling results, and from anomalous assays of the vein encountered in the drifting. The