APPENDIX B
DISTRICT GEOLOGICAL CONDITIONS

1 REGIONAL GEOLOGY

The Keno Hill Silver District is located in the western part of the Selwyn Basin in an area dominated by deformed and metamorphosed Upper Proterozoic to Mississippian sedimentary rocks formed at the edge of a continental margin. During the Jurassic and Cretaceous, the area was subjected to compressional tectonic forces producing two major thrust sheets (Robert Service and Tombstone) and widespread folding. Early large scale deformation produced recumbent folds, resulting in local structural thickening of strata. A second (and possibly third) deformational event produced gentle south westerly plunging syn- and antiform pairs.

The Robert Service Thrust Sheet in the south is composed of Late Proterozoic to Cambrian sandstone, locally with interbedded limestone and argillite, a Cambrian to Middle Devonian succession of siltstone, limestone and chert, and Upper Devonian argillite, chert, and chert pebble conglomerate. The latter unit uncomfortably overlies the lower units.

The Tombstone Thrust Sheet to the north consists of Devonian phyllite, felsic meta-tuffs and metaclastic rocks, overlain by Carboniferous quartzite. This latter rock unit is locally thickened due to folding and or thrusting and hosts the mineralization of the Keno Hill Silver District.

Intrusive rocks formed during four episodes of plutonism. Early Paleozoic fine-grained diabase occurs as metre-scale dikes and sills in the Upper Proterozoic to Lower Cambrian rocks. During the Mid-Triassic, gabbros to diorites formed pods of various sizes, primarily in the Devonian and Mississippian rocks of the Tombstone thrust sheet. A third phase of plutonism took place around ninety-two million years ago in the early Cretaceous and resulted in widespread and voluminous Tombstone intrusions of commonly granitic to granodioritic composition. The youngest magmatic activity occurred around sixty-five million years ago in the Upper Cretaceous and resulted in the formation of peraluminous megacrystic potassium feldspar granite.

In addition to where polymetallic veins were exploited, the area hosts a number of occurrences, and showings of tungsten, copper, gold, lead, zinc, antimony and barite. Tin, tungsten, and molybdenite occurrences are possibly related to the suite of Cretaceous intrusion, whereas lead, zinc, and barite occur in stratiform calcareous sedimentary rocks of early to mid-Paleozoic age typical of sediment-hosted deposits.

2 PROPERTY GEOLOGY

The Keno Hill District is underlain primarily by Yukon Group metasedimentary rocks, locally divided into three formations; Upper Schist, Central Quartzite and Lower Schist. The Upper Schist (Hyland Group, pre-Cambrian to Cambrian age) overlies the quartzite in what is inferred to be a thrust contact (Robert Service Thrust) and consists of quartz-mica schist, quartzite, graphitic schist and minor limestone. The Central Quartzite (Keno Hill Quartzite, Mississippian age) contains thick-and thin-bedded quartzite, massive quartzite, graphitic phyllite, graphitic schist, calcareous schist and minor Triassic greenstone. This unit is approximately 700 m thick and is host to most of the past producing ore bodies. Structurally juxtaposed below the quartzite is the Lower Schist which has been correlated with the Devonian-Mississippian Earn Group. The Lower Schist includes graphitic schist, argillite, thin-bedded quartzite, calcareous schist, phyllite, slate, sericite schist, minor thick-bedded quartzite and locally significant intervals of Triassic greenstone. The greenstone forms sills and / or boudins and consists of metadiorite and metagabbro. The sills and boudins form bodies up to one kilometre long and thirty metres thick. Regional, greenschist facies metamorphism of all units is believed to have occurred in the Middle Cretaceous, about 105 million years ago.

A number of quartz-feldspar porphyritic sills have intruded the stratigraphy parallel to schistosity. The sills are most common in the Lower and Upper Schists and can reach thicknesses of up to fifty metres; reports of occurrences in the Central Quartzite are inconclusive and vague. The quartz-porphyry sills are believed to be of Cretaceous age.

Structurally, the property is characterized by four sets of faults; many of which have been filled by hydrothermal minerals, forming veins. The oldest fault set consists of south dipping structures that are generally parallel to foliation and are apparently associated with the Tombstone Thrust Fault since movement was contemporaneous or slightly later. Locally, brittle deformation has been observed along these structures. A second fault set, known as "longitudinal veins" strikes north east to east northeast and dips steeply southeast. The latest movement along these faults is sinistral with offsets locally reaching more than 150 metres; however, more than one episode of movement commonly is indicated. Depending on the competency of the host rock, longitudinal veins can be up to thirty metres wide in an anatomising system of sub-veins. Essentially all mineralized rock was mined from these longitudinal veins. A third set of faults, known as "transverse faults", is north-west striking and dips steeply to the north. Transverse faults typically do not contain silver and lead mineralization but are commonly filled by quartz with trace to minor arsenopyrite, pyrite and jamesonite.

A younger set of faults, known as cross faults, strike north to north east with a dip of sixty degrees west to south west and offset vein or longitudinal faults by up to 2,000 metres. In the western part of the property, dextral movement is the most recent event along these structures, whereas in the eastern part of the property sinistral movement with less magnitude prevails.

At Keno Hill, the largest accumulation of ore minerals occurred in structurally prepared competent rocks, such as the Central Quartzite, resulting in areas of increased fluid flow. Incompetent rocks like phyllites tend to produce fewer and smaller, if any, open spaces, limiting fluid flow and resulting mineral precipitation.

Mineralization in the Keno Hill Silver District is of the polymetallic silver-lead-zinc vein type. In general, common gangue minerals include manganiferous siderite and to a lesser extent quartz and quartz breccia as well as calcite and other carbonates. Silver occurs in argentiferous galena and argentiferous tetrahedrite (freibergite). In supergene assemblages, silver is further found as native silver, in polybasite, stephanite, and pyrargyrite. Lead occurs in galena and zinc in sphalerite, which is iron-rich. Other sulphides include pyrite, arsenopyrite (locally gold-bearing) and chalcopyrite.

The veins of the Keno Hill Silver District display characteristics associated with both mesothermal and epithermal deposits and it is not clear if a continuum exists or if separate and distinct mineralizing events are involved. The most prominent examples of epithermal style mineralization are found in the western part of the district, although the Lucky Queen mine on Keno Hill produced native silver and ruby silver in quantity. Proximity to a magmatic heat source has often been called upon to explain the district zonation, though this is by no means a complete explanation.

Mineral zonation is common within base metal-rich veins (zinc-rich margin and silver/lead-rich center). Changes in mineralogy within individual oreshoots is less clearly documented, although there has long been a conviction that silver and lead rich zones occur higher in the veins while zinc becomes dominant at depth. Anecdotal evidence suggests that vertically stacked oreshoots may repeatedly show zoning of lead rich upper portions to zinc dominant roots, but data confirming this has not been found. In general, Pb-Zn mineralization appears to be nearly contemporaneous in age.

Mechanisms triggering deposition of ore and gangue minerals have been suggested by district wide studies of fluid inclusions and light stable isotopes. Fluid boiling appears to have been ubiquitous and some evidence exists for fluid mixing. The hydrothermal fluids responsible for mineral deposition contained significant quantities of CO2 which may have "boiled" during abrupt changes in pressure produced during fluid movement from confined fractures to more open conduits formed in quartzite.

Irrespective of stratigraphic formations or regional map units only a few major rock types are commonly encountered in the area of the old mine workings. These are:

- schists and phyllites with variable carbon content;
- chloritic phyllites or schists;
- quartzites and phyllitic quartzites;
- sericite-quartz phyllites; and,
- greenstones.

3 PHYSIOGRAPHY AND SURFICIAL GEOLOGY

The Keno Hill Silver District lies within the northeastern part of the Yukon Plateau, and the terrain is mountainous with elevations ranging from 1,848 m (Summit of Keno Hill) to 610 m (McQuesten River valley). The area has been profoundly influenced by the latest glaciation but shows more subtle evidence of an earlier event as well.

The lower slopes of Galena Hill show clear evidence of ice marginal deposits such as kame terraces related to the glacial lobes occupying the major valley. The retreat of the Cordilleran ice sheet has had a major impact on the south McQuesten valley. Till blankets much of the valley and glacio-fluvial deposits are widespread. Glacio-lacustrine deposits formed in ice marginal lakes occur in the deeper part of the valley. Large meltwater streams have left huge meander scars. Boyle (1965) provides the following additional description of the physiography and glacial deposits in the area.

Galena Hill trends northeast between Duncan Creek and the McQuesten River valley. It has an elevation of 4,740 feet, a moderately steep southwestern slope, and steeper north, northwestern, and southeastern slopes. The terrain above 4,300 feet is relatively flat and rolling, and marked by several level grassy meadows. The north, northwestern, and southeastern slopes of the hill are crossed by several streams that have cut steep gulches into the rock strata. The principal streams responsible for these gulches are Galena, Flat, Brefalt, and Sandy Creeks and Porcupine Gulch on the northwestern slope and Hinton and Fisher Creeks on the eastern and southeastern slopes.

Keno Hill and Sourdough Hill are adjacent hills separated by Lightning Creek. Keno Hill trends northeast and lies between the Keno Ladue-McQuesten River valley and Allen, Faith, Lightning, and Christal Creeks. The hill has relatively gentle southern and southeastern slopes and a precipitous northern slope, marked by two cirques, Faro Gulch and Silver Basin Gulch. The terrain above 4,500 feet is relatively flat and rolling with five prominent rocky knolls known as Keno, Minto, Monument (the highest point on Keno Hill, elevation 6,065 feet), Caribou, and Beauvette. On the slopes of the hill several streams follow steep gulches in the rock strata, the principal ones being Gambler, Faro, McKay, and Silver Basin on the northern slope, Faith, Hope, and Charity on the northeastern and southern slopes, and Erickson on the western slope.

Sourdough Hill lies southwest of Keno Hill and trends north between Thunder, Lightning, and Duncan Creeks. The part of the hill described in this report is on the northern and northwestern slopes, which are gentle up to 4,200 feet and from there rise abruptly to a steep rocky hogsback that trends southwest for some 6,000 feet.

Extensive rock outcrops are uncommon on Galena, Keno, and Sourdough Hills, and with the exception of the gulches and cirques where relatively good geological sections are present, detailed mapping can only be done by observing float. Below an elevation of 4,400 feet rock outcrops are sparse, and the slopes are covered with till, soil, rock debris, much, and muskeg, in which conifers, birch, aspen, Arctic black-birch, and other vegetation grow abundantly. Above this elevation the soil is thin, outcrops are more numerous, the ground is covered with local rock float, the terrain is treeless, and the vegetation is limited to alpine species and grassy meadows.

The lower slopes of the hills were severely glaciated during Pleistocene time by ice-sheets that spread, from the east, over the entire area. Glacial till, gravel, and other debris lie in a series of benches on the slopes of the hills and floor the valleys. The deposits are generally 5 feet to 20 feet thick, but in some areas as on the southern slope of Keno Hill facing Lightning Creek and north of Christal Lake, they are 30 feet to 50 feet thick or more.

The Keno Hill-Galena Hill area is in the region of permanently frozen ground. The permafrost is irregularly distributed and its occurrence is dependent upon the elevation, hillside exposure, depth of overburden, amount of vegetative cover, and presence of flowing underground and surface water. At high elevations and on slopes with a northern exposure it is generally present. Thus, on Keno Hill, the mine workings on the top of the hill and on the northern slope encountered permafrost some 400 feet below the surface. On the northern slopes of Sourdough Hill and Galena Hill a similar situation prevails, and frost and ice lenses have been encountered at depths of 250 feet or more in the mine workings. On the lower southern slope of Keno Hill, however, the workings of the Onek and Mount Keno mines show little evidence of permafrost. In places where surface and underground water are flowing the permafrost has been thawed out and frost free windows and strips are present. These provide access and egress for waters that are oxidizing the lodes.

The effects of frost action, soil creep, and slope wash are marked on the hills, particularly at the higher elevations. Frost action is responsible for features such as stone rings and stripes, and produces a general 'boiling action' that brings rock float, mineralized float, and soil from deeper layers to the surface, thus facilitating the mapping of both the underlying bedrock and the tracing of vein faults. On steep slopes, however, frost action and land creep have transported float downhill places, 100 feet or more, making the accurate mapping of contacts and vein faults difficult.