

YEIP
87-020
Vol. 1

87-020
COPY

PRELIMINARY GEOLOGICAL REPORT

ON THE

McKINNON CREEK PROPERTY
INDIAN RIVER AREA
DAWSON MINING DISTRICT
YUKON TERRITORY

FOR

VOLCANO RESOURCES CORP.
VANCOUVER, BRITISH COLUMBIA

February 28, 1987
Vancouver, B.C.

Thomas R. Tough, P.Eng.
Consulting Geologist

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MAP INDEX

Location Map
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VLF - EM Survey

(1)

Preliminary Geological Report
on the
McKinnon Creek Property
Indian River Area
Dawson Mining District
Yukon Territory

Part A

Summary

Volcano Resources Corp. holds 123 contiguous mineral claims under option.

The claims are situated some 40 kilometres (25 miles) southeast of Dawson City, west-central Yukon Territory.

For the prevailing conditions in the Yukon, the logistics involved with the exploration and development of the property are good.

The auriferous McKinnon Creek conglomerates were first discovered and staked around 1899.

(11)

During the early years of exploration a total of three shafts were sunk to depths of 30 metres (100 feet) and numerous trenches were cut along both sides of McKinnon Creek. A couple of short adits were also driven.

Sampling of the conglomerates of the years gave assay results varying from a trace to 0.100 ounces of gold per ton to a high of 48 ounces of gold per ton with good silver values.

Through the late 1960's to 1986 a number of companies carried out geological mapping, limited surface sampling (rock and soil), percussion and diamond drilling and an airborne magnetometer survey.

On December 5, 1986, Volcano Resources Corp. acquired an option on 36 claims along McKinnon Creek and during January and February staked an additional 87 claims.

A combined magnetic and electromagnetic survey was carried out over 50 kilometres (31.2 miles) of grid lines during January and February of 1987.

Anomalous zones were encountered along the west side of McKinnon Creek and generally parallel the creek, suggestive of parallel stream channels or andesite dykes and/or zones of silicification.

The old workings tend to coincide with the anomalous zones.

The property is underlain by McKinnon Creek conglomerates, a member of the Indian River formation of Lower Cretaceous age, which is comprised of quartz pebble conglomerate intercalated with units of sandstone, siltstone, shale and minor coal. A black colour is imparted to the unit by the presence of finely crystalline graphite in the matrix.

Volcanic rocks of the Carmacks group intrude and overlie the conglomerates which are of fluvial origin and host to the known gold occurrences on the property.

The gold occurs as very fine-grained particles and appears to be disseminated throughout the matrix of the conglomerate.

Conclusions

Sampling of the conglomerates over the past 85 years indicates that gold values do occur within the McKinnon conglomerate member of the Indian River formation.

Previous sampling has resulted in assay values between a trace to 0.100 ounces of gold per ton with some erratic highs.

The property warrants further detailed exploration to locate areas within the conglomerates where the gold may be concentrated

(iv)

in economic quantities.

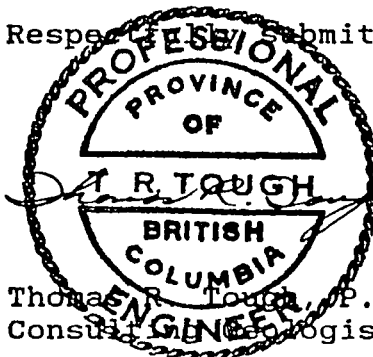
Recommendations

It is recommended that the property be tested by a two-phased diamond drill program to explore the black auriferous McKinnon conglomerates specifically along McKinnon Creek where gold has been previously found. Areas of magnetic and electromagnetic anomalies along the McKinnon Creek area should be drilled first.

Contingent upon the results of the initial phase of drilling, a second phase consisting of additional drilling should be undertaken.

It is further recommended that Volcano Resources Corp. allocate the sum of \$ 95,400.00 to implement and execute Phase I of the recommended exploration program.

Respectfully submitted,



A circular professional seal for the Province of British Columbia. The outer ring contains the text "PROFESSIONAL PROVINCE OF BRITISH COLUMBIA ENGINEER". In the center, the name "T. R. TOUGH" is written in a stylized font. A signature is written across the seal.

Thomas R. Tough, P. Eng.
Consulting Geologist

February 28, 1987
Vancouver, B.C.

Preliminary Geological Report
on the
McKinnon Creek Property
Indian River Area
Dawson Mining District
Yukon Territory

Part B

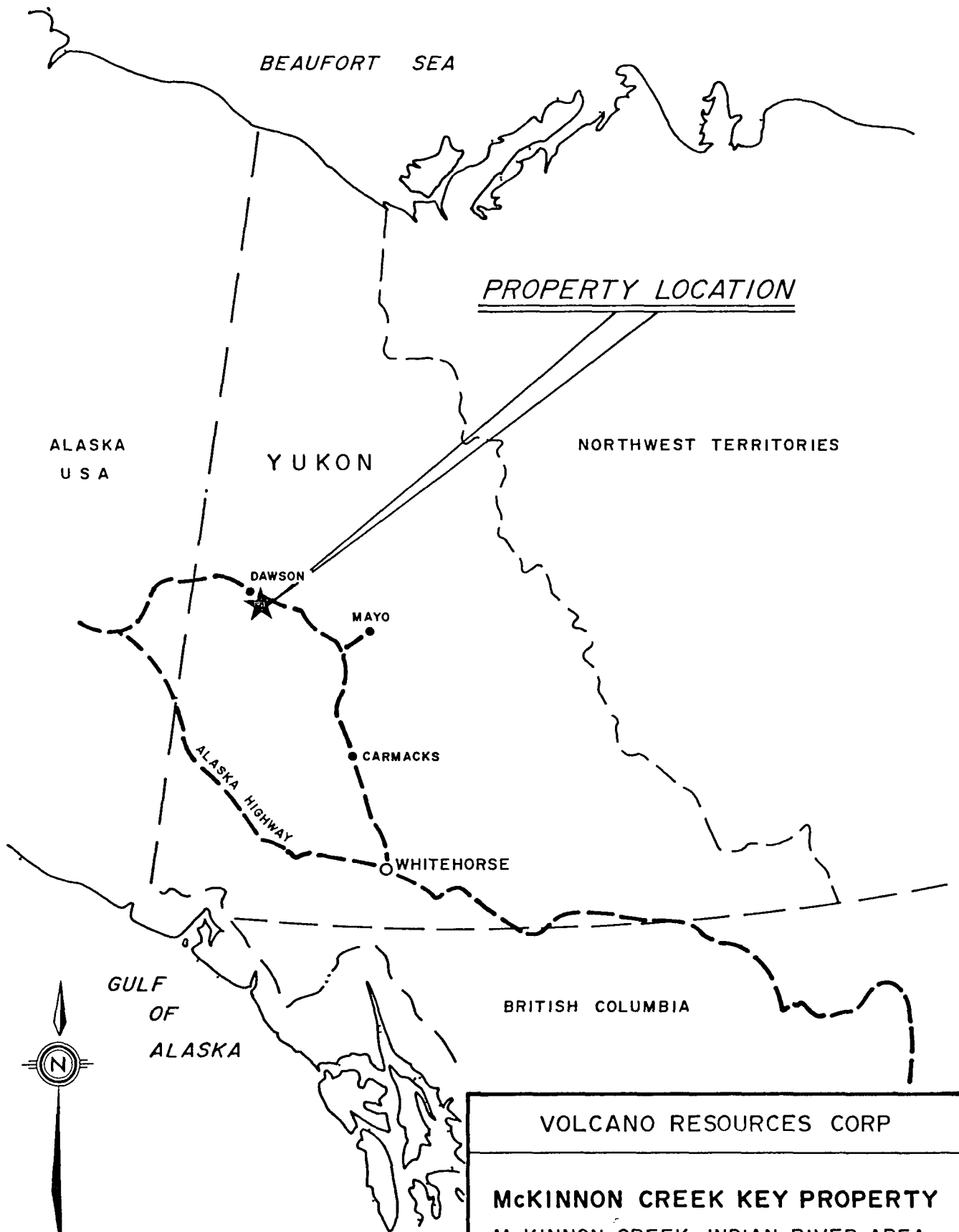
Introduction

At the request of William A. Jackson, President, Volcano Resources Corp., the writer visited the McKinnon Creek property on February 6, 1987 and studied available data on previous and recent exploration programs carried out over portions of the property. The purpose of the examination and study was to evaluate the results and propose an exploration program that would best assess the economic potential of the property.

Property

The property consists of 123 contiguous mineral claims held by location. They are as follows:

<u>Claim Number</u>	<u>Record Number</u>	<u>Expiry Date</u>
Key 1-12 incl.	YA 87792 - 803 incl.	4 Oct 1987
Key 13 fr.	YA 88703	3 Feb 1988
Key 14	YA 87804	4 Oct 1987
Key 15 fr.	YA 88704	3 Feb 1988
Key 16	YA 87805	4 Oct 1987
Key 17,18	YA 87818 - 819 incl.	7 Oct 1987
Key 19-28 incl.	YA 87808 - 817 incl.	7 Oct 1987



VOLCANO RESOURCES CORP

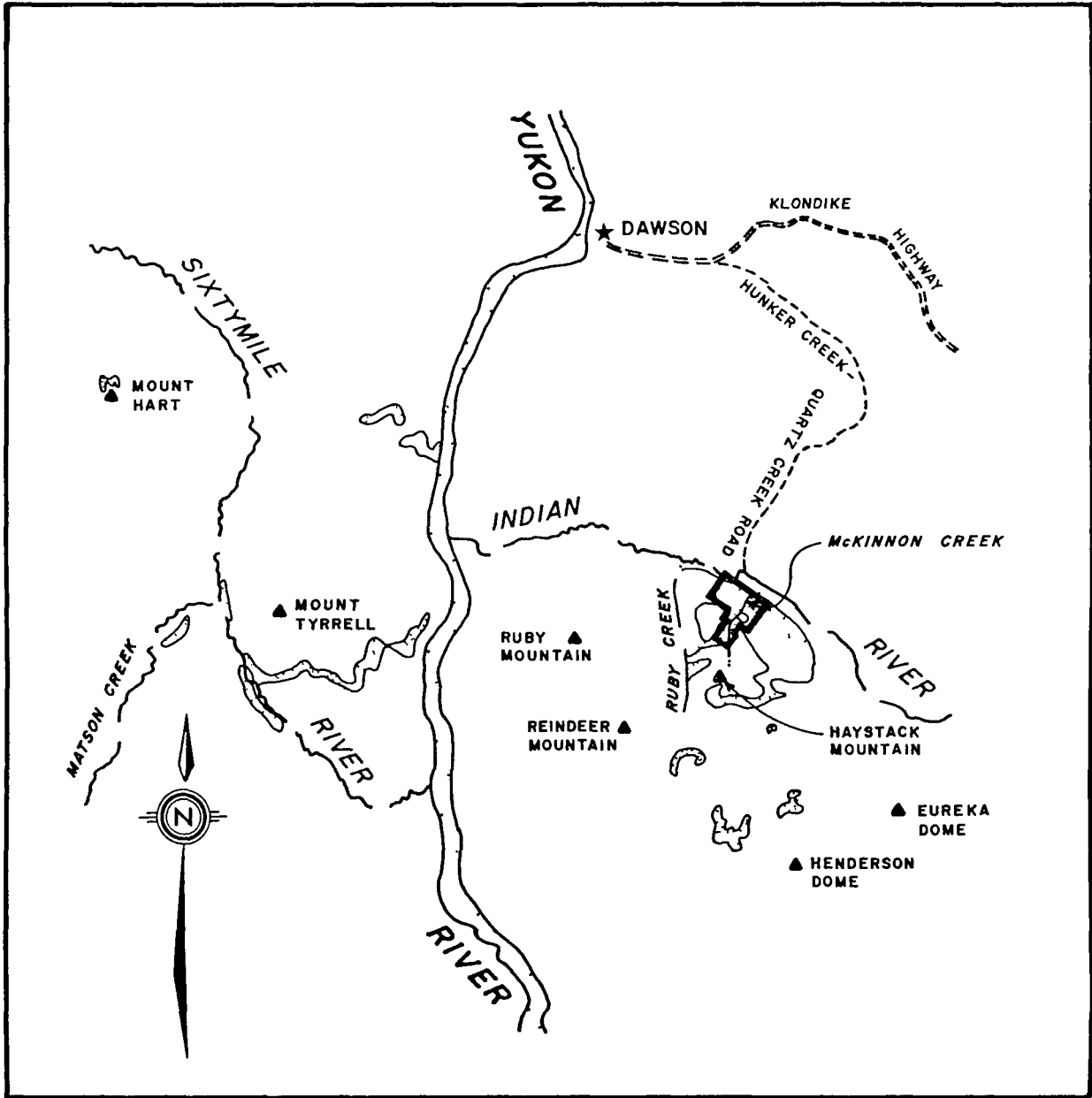
McKINNON CREEK KEY PROPERTY
 McKINNON CREEK, INDIAN RIVER AREA
 DAWSON MINING DISTRICT, YUKON

LOCATION MAP

SCALE 1 7,603,200	DATE FEB_87	FIGURE 1	DRAFTED BY BDS
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140°00'

139°00'



64°00'

63°30'


 DISTRIBUTION OF CLASTIC
 SEDIMENTARY ROCKS

FROM G W LOWEY, 1984



VOLCANO RESOURCES CORP

McKINNON CREEK KEY PROPERTY

McKINNON CREEK, INDIAN RIVER AREA

DAWSON MINING DISTRICT, YUKON

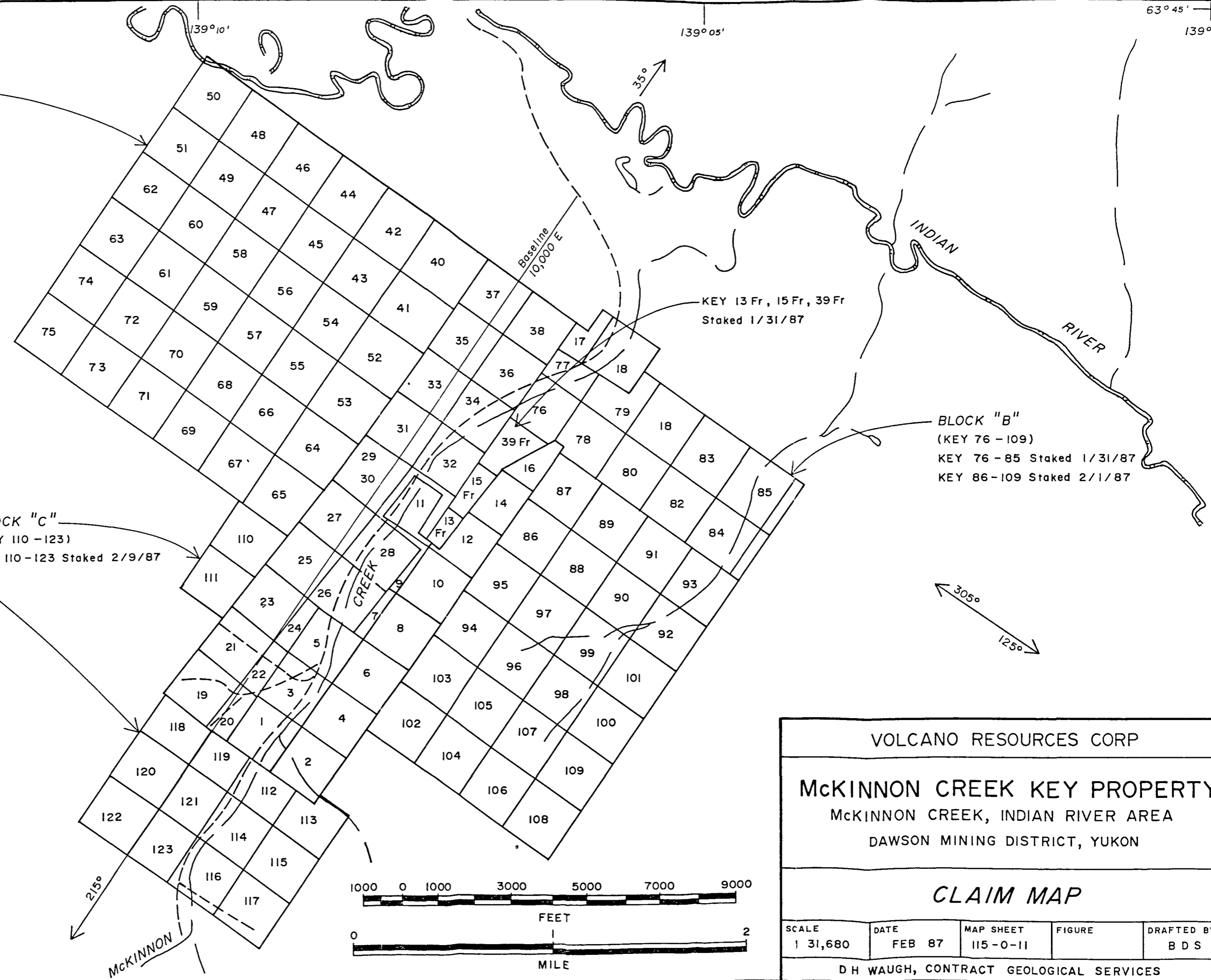
CLAIM LOCATION MAP

SCALE	DATE	MAP SHEET	FIGURE	DRAFTED BY
1:250,000	FEB 87	115-0-11	2	BDS

D H WAUGH, CONTRACT GEOLOGICAL SERVICES

63°45'
139°00'

BLOCK "A"
(KEY 40-75)
KEY 40-43 Staked 1/28/87
KEY 44-51 Staked 1/29/87
KEY 52-63 Staked 1/30/87
KEY 64-75 Staked 1/31/87



BLOCK "C"
(KEY 110-123)
KEY 110-123 Staked 2/9/87

KEY 13 Fr, 15 Fr, 39 Fr
Staked 1/31/87

BLOCK "B"
(KEY 76-109)
KEY 76-85 Staked 1/31/87
KEY 86-109 Staked 2/1/87

VOLCANO RESOURCES CORP

McKINNON CREEK KEY PROPERTY
McKINNON CREEK, INDIAN RIVER AREA
DAWSON MINING DISTRICT, YUKON

CLAIM MAP

SCALE 1 31,680	DATE FEB 87	MAP SHEET 115-0-11	FIGURE	DRAFTED BY BDS
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D H WAUGH, CONTRACT GEOLOGICAL SERVICES

<u>Claim Number</u>	<u>Record Number</u>	<u>Expiry Date</u>
Key 29-38 incl.	YA 87820 - 829 incl.	7 Oct 1987
Key 39 fr.	YA 88705	3 Feb 1988
Key 40-109 incl.	YA 88706 - 775 incl.	3 Feb 1988
Key 110-123 incl.	YA 88798 - 811 incl.	10 Feb 1988

The claims are currently in good standing and are shown on the Yukon Government Claim Sheet # 115-0-11.

Ownership

The claims are held under option by Volcano Resources Corp. of Vancouver, British Columbia.

Location (63N - 140W)

The claims are located along McKinnon Creek, near its confluence with the Indian River, some 40 kilometres (25 miles) southeasterly from Dawson City, Dawson Mining District, Yukon Territory.

Access

The property is accessible by 4 X 4 vehicles along a dirt road which leads south from Dawson City to the Indian River which is fordable at low water levels. The road then follows along McKinnon Creek through the property to the camp and field offices. Helicopter service is also available from Dawson City.

Topography

The elevation on the claims varies between 518 metres (1,700 feet) and 610 metres (2,000 feet) above sea level resulting in a gentle northward slope towards the Indian River.

Timber

The claims are sparsely covered with secondary growth consisting primarily of poplar and spruce. Finished lumber would have to be purchased in Dawson City or Whitehorse, Y.T..

Water and Power

Water is available for all phases of exploration and development, and diesel-electric power will be required for all phases of exploration, development and production.

Climate

Winters are relatively cold with moderate to light snowfall. The summer months have temperatures which range from 7 degrees C. to 21 degrees C. with light rainfall.

Transportation and Supplies

The Yukon Territory is serviced by good trucking facilities based out of Whitehorse. A deep sea port is situated at Skagway, Alaska. Whitehorse is serviced by major airlines and a local airline services Dawson City. Most supplies are obtainable from Dawson City or Whitehorse which is provided with good daily express services.

History

Auriferous McKinnon Creek conglomerates were first discovered and staked by the McKinnon brothers around 1899. At least three shafts, the Britannia, Winchester, and Arctic were sunk in the vicinity of McKinnon Creek to depths of 18 to 30 metres (60 to 100 feet).

A small test mill was erected to extract gold from material taken from the 18 metre (60 ft.) level of the Britannia shaft, located on the Britannia Crown granted Lease (now covered by the current claims). Some 2.5 tons were processed and the recovery is stated to have been 0.02 ounces of gold per ton collected on amalgam plates. Cyanidation was used as a check method on similar material and two tests gave values of 0.160 and 0.350 ounces of gold per ton.

Assaying by various assayers gave values varying from a trace to a high of 48 ounces of gold per ton.

During the late 1960's through to 1976, Yukon Revenue Mines Limited, Cominco Limited and Andac Resources Ltd. carried out exploration of the auriferous conglomerates located along the McKinnon Creek valley.

The exploration consisted of an airborne magnetometer survey, four rotary drill holes and three diamond drill holes. Low gold values were encountered.

The area was also drilled to test the known coal deposits on the property by Cyprus Anvil Mining Corporation in 1980. Poor quality coal was encountered in one of three diamond drill holes.

Esso Minerals Canada took a number of rock and soil samples in August of 1986.

Recent Work

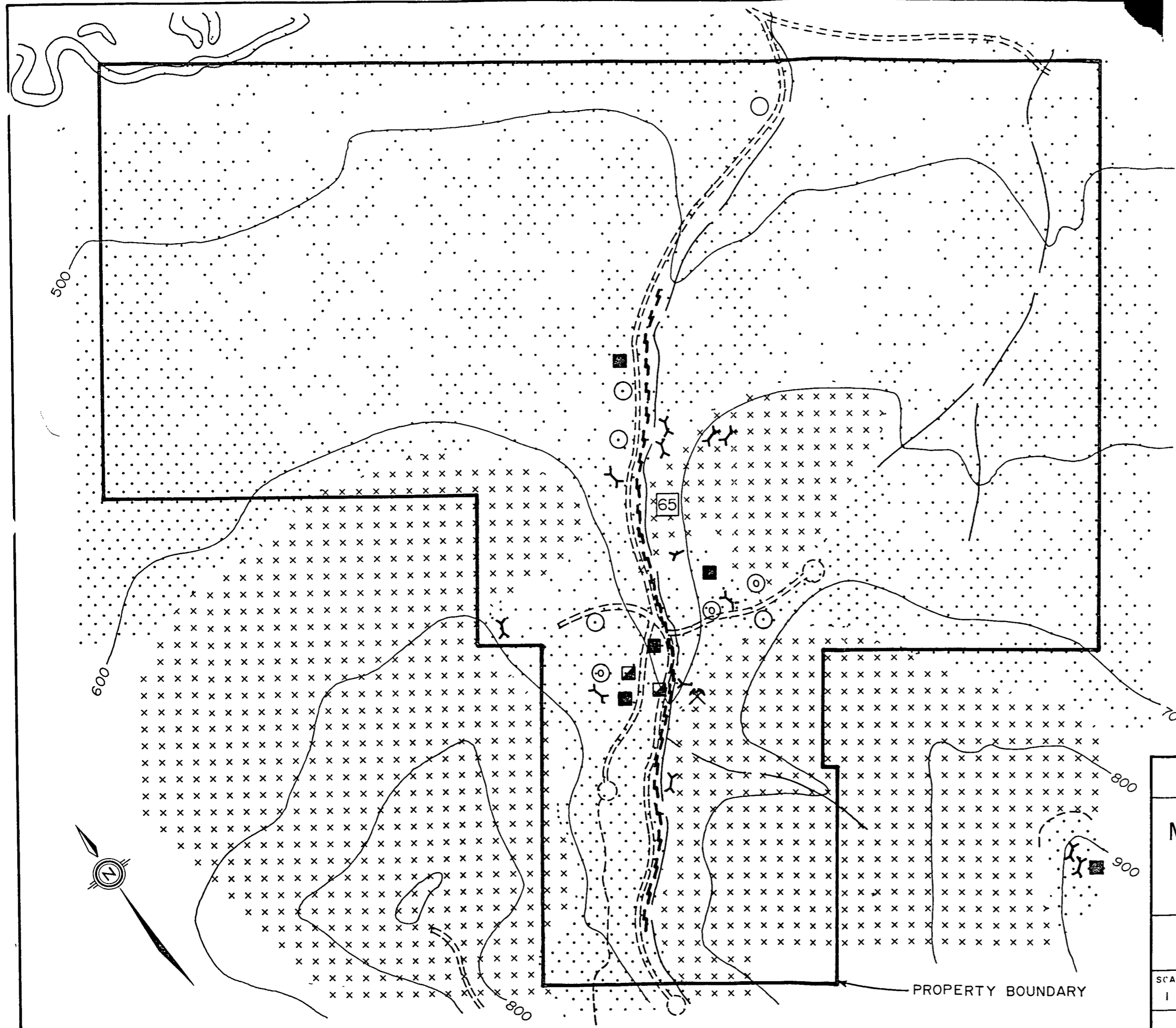
During January and February of 1987, Volcano Resources Corp. carried out a combined ground magnetometer and electromagnetic survey on the property at a cost of approximately \$ 83,000.00.

Regional Geology

The claims lie within an area mapped by H.S. Bostock between 1935 and 1937 and published in 1942 as Map 711A, OGILVIE. The area is underlain by Precambrian gneiss, schist, quartzite, slate and limestone of the Yukon group along with gneissic granite and ultrabasic units. Younger conglomerates and volcanics of the Carmacks group overlie the Precambrian units.

Local Geology

The claims are underlain by the Lower Cretaceous Indian River formation which is comprised of quartz pebble conglomerate intercalated with units of sandstone, siltstone, shale and minor coal. The formation is light-grey to dark grey-green and black and is poorly indurated.



LEGEND

- RECENT**
Unconsolidated alluvial deposits
- PALEOCENE AND UPPER CRETACEOUS**
Carmacks Group - Haystack Andesite
andesite and minor dacite, porphyritic, light-
to dark-green, weathering light-green-brown
- LOWER CRETACEOUS**
Indian River Formation interbedded sandstone,
shale, conglomerate and minor coal, light-grey
to black, weathering light-grey
- Geologic boundary (approximate, assumed)
- Fault (assumed)
- Mine (Gold Mine)
- Diamond drill hole, Rotary drill hole
- Shaft
- Adit
- Trench
- Building
- Trail (bulldozer, foot)
- 65 Radiometric age (millions of years)



FIELD WORK BY G W LOWEY, 1981, 1983

VOLCANO RESOURCES CORP

McKINNON CREEK KEY PROPERTY
McKINNON CREEK, INDIAN RIVER AREA
DAWSON MINING DISTRICT, YUKON

GEOLOGY MAP

SCALE 1:25,000	DATE FEB 87	MAP SHEET 115-0-11	FIGURE	DRAFTED BY B D S
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D H WAUGH, CONTRACT GEOLOGICAL SERVICES

The McKinnon conglomerate exhibits silicification in areas of close proximity to McKinnon Creek which appears to occupy a shear zone or fault along its course. The color of the conglomerate is black, caused by a matrix of finely-crystalline graphite. The unit tends to thin to both the east and west of McKinnon Creek and is enclosed within the fluvial-deltaic fan of the Ruby Quartz conglomerate member. The McKinnon conglomerate unit appears to be entirely fluvial in origin and is the host to the gold occurrences on the property.

Volcanic rocks of the Carmacks group intrude and overlie the conglomerate. They vary from andesite to rhyodacitic in composition, are porphyritic and light to dark green.

Mineralization

The gold occurs as very fine-grained (silt size) particles and appears to be disseminated throughout the matrix of the massive conglomerates which are exposed along portions of McKinnon Creek. The gold in the conglomerates varies from a trace to 0.100 ounces per ton.

The auriferous conglomerates have previously been interpreted as a paleoplacer deposit and to be similar to the Witwatersrand gold field in South Africa. (Minter, 1978, Pretorius, 1975)

The gold may have also been introduced by the intrusion of andesite and rhyodacite dykes and sills or remobilized from the

original conglomerates and redeposited therein. Gold does have an affinity for graphitic units and hence the resultant concentration of fine gold within the McKinnon conglomerate. The auriferous conglomerates along McKinnon Creek display the characteristics of both a placer deposit and a hydrothermal disseminated deposit with extensive alteration and a spatial relationship to felsic intrusions.

Geophysical Surveys

A total of 50 kilometres (31.2 miles) of lines were established on the property using a small bulldozer. A combined electromagnetic and magnetic survey was carried out over the grid during January and February, 1987.

(a) Electromagnetic Survey

A VLF-EM-16 (GEONICS) survey was conducted over the established grid by Gary Lee, P.Eng.. Readings were taken every 25 metres (82 feet).

The VLF-EM-16 instrument is a sensitive radio receiver which encompasses the frequency bands of very low frequency (V.L.F.) transmitting stations with a patented method of measuring the in-phase and quadrature components of the vertical electromagnetic field at right angles to the direction of transmission. The main transmitter used for the survey was N.P.G. located at Jim Creek near Seattle, Washington, U.S.A.. Transmitters in Hawaii

and Cutler, Maine were also used.

The data was processed by the Fraser-filter method and plotted on a scale of 1 2,500.

Linear anomalous conditions were encountered parallel to and west of McKinnon Creek suggesting the presence of older stream channels of McKinnon Creek. Some of the old workings are within the anomalous zones.

The anomalies may also reflect volcanic dykes and/or zones of silicification.

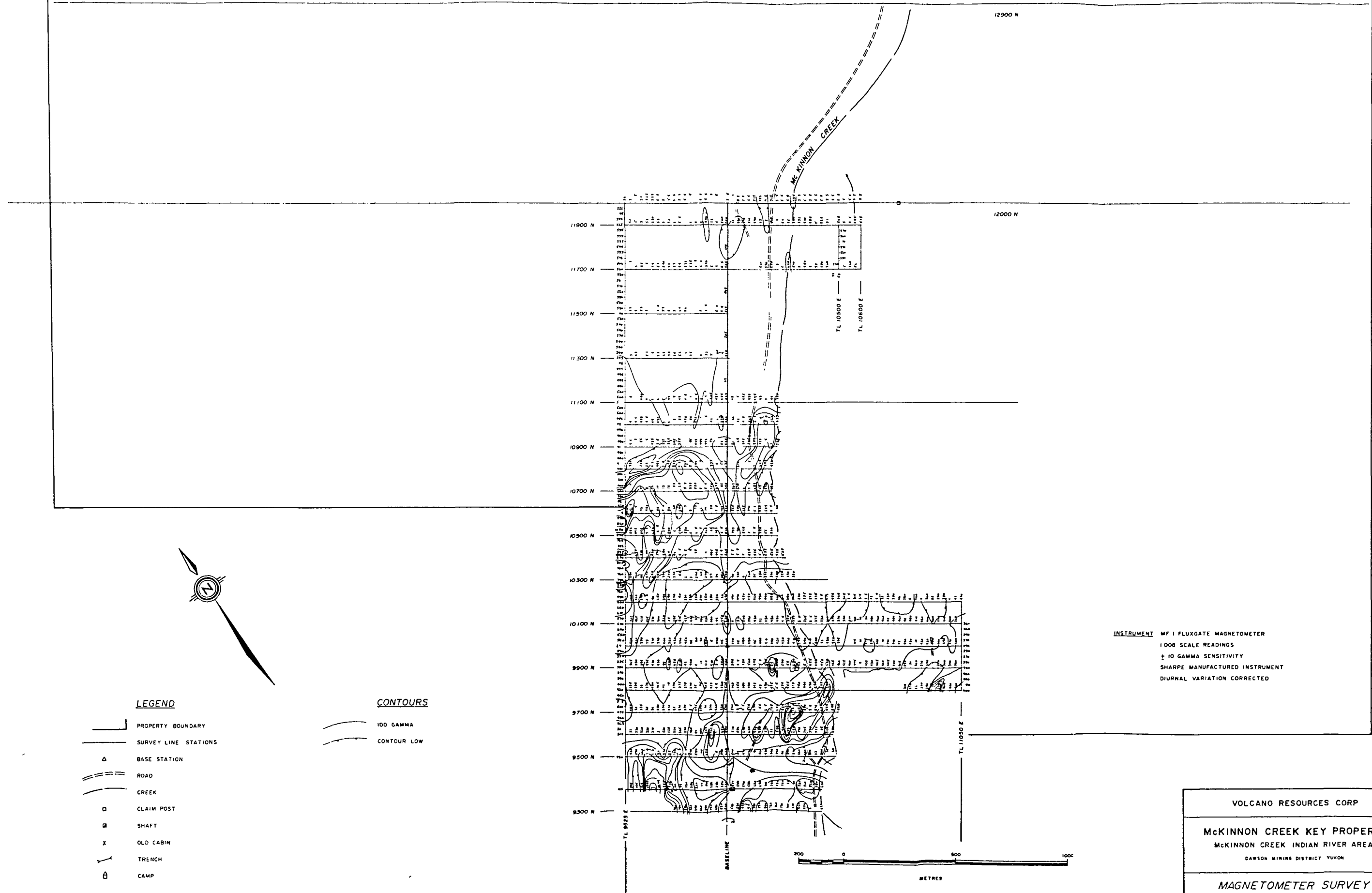
(b) Magnetic Survey

A Fluxgate MF-1 magnetometer was used to survey the grid established on the property. The results were plotted and contoured at 100 gamma intervals. Readings were taken every 25 metres (82 feet).

A number of magnetic anomalous conditions occur within the survey area, some of high intensity and others much lower.

The lower intensity magnetic anomalies coincide well with the strongest electromagnetic anomalies, with higher gamma readings occasionally coincident or nearly so.

7000 E 7200 E 7400 E 7600 F 7800 E 8000 E 8200 E 8400 E 8600 E 8800 E 9000 E 9200 E 9400 E 9600 E 9800 E 10000 E 10200 E 10400 E 10600 E 10800 E 11000 E 11200 E 11400 E 11600 E 11800 E 12000 E 12200 E 12400 E 12600 E 12800 E



LEGEND

- PROPERTY BOUNDARY
- SURVEY LINE STATIONS
- BASE STATION
- ROAD
- CREEK
- CLAIM POST
- SHAFT
- OLD CABIN
- TRENCH
- CAMP

CONTOURS

- 100 GAMMA
- CONTOUR LOW

INSTRUMENT MF 1 FLUXGATE MAGNETOMETER
 100B SCALE READINGS
 ± 10 GAMMA SENSITIVITY
 SHARPE MANUFACTURED INSTRUMENT
 DIURNAL VARIATION CORRECTED

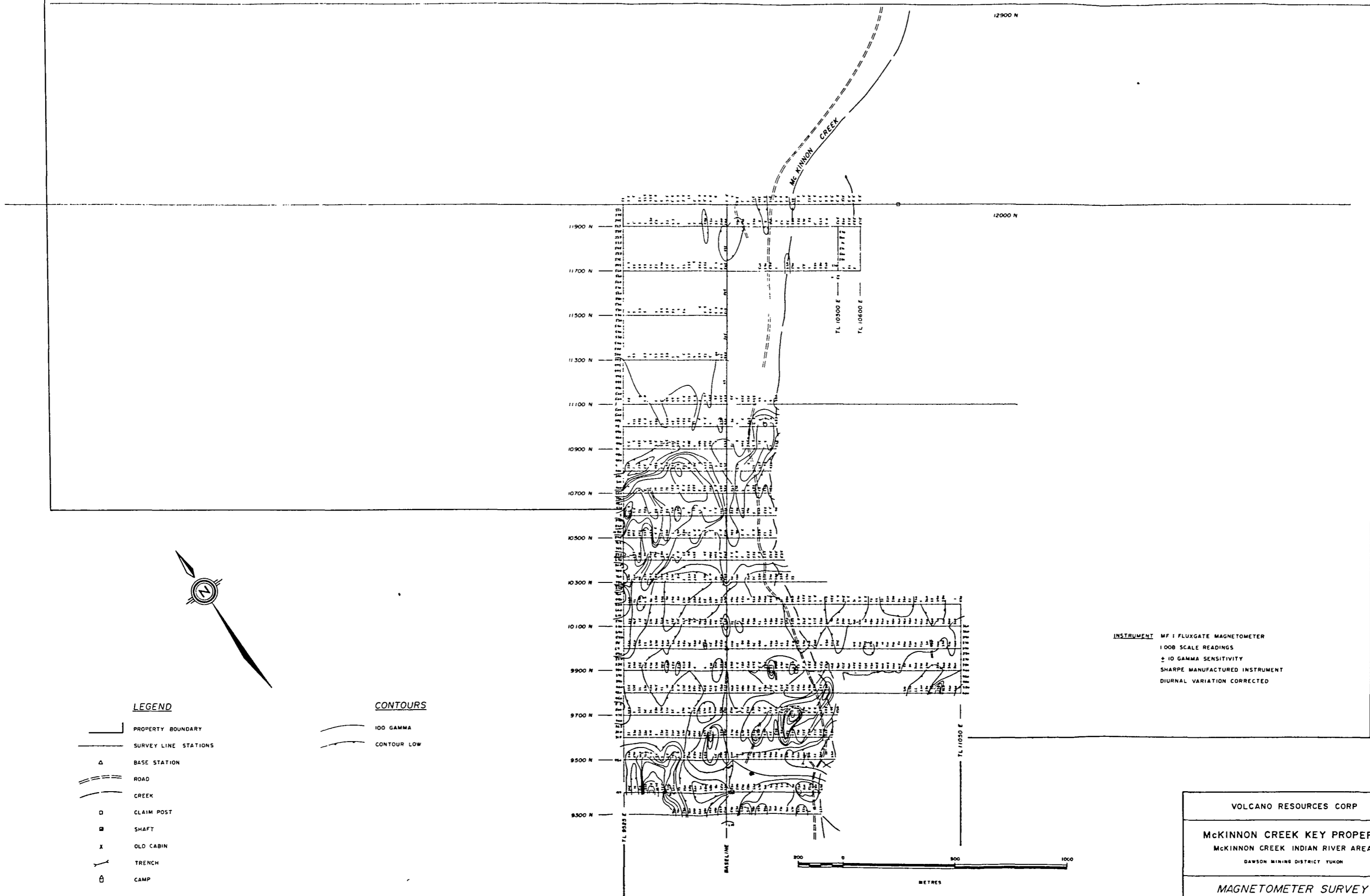
VOLCANO RESOURCES CORP

McKINNON CREEK KEY PROPERTY
 McKINNON CREEK INDIAN RIVER AREA
 DAWSON MINING DISTRICT YUKON

MAGNETOMETER SURVEY

SCALE 1:5000
 DATE FEB 87
 SHEET 119-0 11
 DRAWN BY
 CHECKED BY
 D.M. WAUGH CONTRACT GEOLOGICAL SERVICES

7000 E
7200 E
7400 E
7600 E
7800 E
8000 F
8200 E
8400 E
8600 E
8800 E
9000 E
9200 E
9400 E
9600 E
9800 E
10000 E
10200 F
10400 E
10600 F
10800 E
11000 F
11200 E
11400 E
11600 F
11800 E
12000 E
12200 E
12400 E
12600 E
12800 E



- LEGEND**
- PROPERTY BOUNDARY
 - SURVEY LINE STATIONS
 - △ BASE STATION
 - == ROAD
 - CREEK
 - CLAIM POST
 - SHAFT
 - x OLD CABIN
 - TRENCH
 - CAMP

- CONTOURS**
- 100 GAMMA
 - CONTOUR LOW

INSTRUMENT MF 1 FLUXGATE MAGNETOMETER
 100B SCALE READINGS
 ± 10 GAMMA SENSITIVITY
 SHARPE MANUFACTURED INSTRUMENT
 DIURNAL VARIATION CORRECTED



VOLCANO RESOURCES CORP

McKINNON CREEK KEY PROPERTY
 McKINNON CREEK INDIAN RIVER AREA
 DAWSON MINING DISTRICT YUKON

MAGNETOMETER SURVEY

C	E	1	5000	DATE	FEB 87	SHEET	119	OF	11	DWG	119	BY	DM
D.H. WAUGH CONTR. CT. GEOLOGICAL SERVICES													

Exploration Program

The property should be diamond drilled to test the auriferous conglomerates for concentrations of gold along the favourable fault or shear which is followed by McKinnon Creek.

Anomalous magnetic and electromagnetic areas related to the McKinnon conglomerates should be primary drill targets.

A second phase of diamond drilling should be undertaken if the results of the first phase are encouraging.

Estimate of Costs of Exploration Program

Phase I:

Mobilization & Demobilization	\$ 6,000
Site Preparation	7,500
Diamond Drilling - 1,500 ft NQ @ \$30/ft	45,000
Assaying	4,000
Engineering & Supervision	10,000
Geologist & Helper	7,000
Contingency @ 20%	<u>15,900</u>

TOTAL - PHASE I \$ 95,400

Contingent upon the results of Phase I, a second phase should be undertaken and consist of additional drilling.

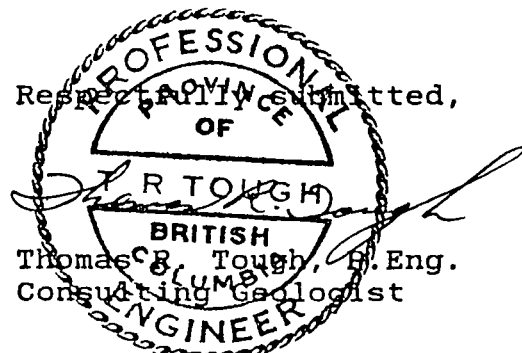
Phase II:

Mobilization & Demobilization	\$ 6,000
Site Preparation	7,500
Diamond Drilling - 2,000 ft NQ @ \$30/ft	60,000
Assaying	5,000
Engineering & Supervision	10,000
Geologist & Helper	7,000
Contingency @ 20%	<u>18,900</u>

TOTAL - PHASE II \$114,400

It is estimated that Phase I should take approximately one and one half months to complete.

February 28, 1987
Vancouver, B.C.



CERTIFICATE

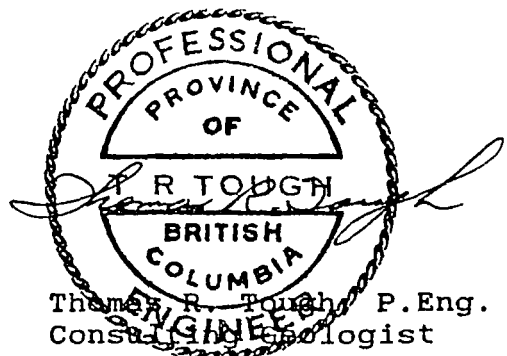
I, Thomas R. Tough, of the Municipality of Richmond, in the Province of British Columbia, do hereby certify:

That I am a consulting geologist and Principal of T.R. Tough and Associates Ltd. with offices at 500 - 890 West Pender Street, Vancouver, British Columbia, V6C 1J9.

I further certify that:

1. I am a graduate of the University of British Columbia (1965) and hold a B.Sc. degree in Geology.
2. I have been practicing my profession for the past twenty-two years.
3. I am registered with the Association of Professional Engineers of the Province of British Columbia.
4. The information for the accompanying report was compiled from a personal examination of the property on February 6, 1987, and from a study of available government and private reports on the McKinnon Creek area.
5. I have no direct or indirect interest whatsoever in the property described herein, nor in the share capital or securities of Volcano Resources Corp. and do not expect to receive any interest therein.

Dated in Vancouver, B.C., this 28th day of February, 1987.



Bibliography

- Bostock, H.S., 1936; Carmacks District, Yukon; Geol. Survey. Can., Mem. 189
- Bostock, H.S., 1942; Ogilvie, Yukon Territory; G.S.C. Map 711A
- Tully, D.W., P.Eng. 1974; "KIN No. 1-16 Claim Group, McKinnon Creek, Indian River Area, Dawson Mining District, Yukon Territory"
- Armstrong, W.P., 1969; "Geological Report on Mac Group 1-16 for Cominco Ltd."
- Adamson, J.A., 1980; "Drilling Report, Coal License 101, Cyprus Anvil Mining Corporation."
- Lowey, G.Wm., 1984; "The Stratigraphy and Sedimentology of Siliciclastic Rocks, West-Central Yukon, and Their Tectonic Implications" PhD Thesis.

YEIP
87-020
Vol. 2

EIP87-020
APPROVED FOR PAYMENT

DEC 17 1987 PAP
EIP

RECEIVED
MINES

A PRELIMINARY DIAMOND DRILLING REPORT

on the

KEY 3 and 5 Quartz Claims

McKinnon Creek - Indian River Area
N.T.S. 115-0-11
Dawson Mining District
Yukon Territory
Latitude: 63°40'
Longitude: 139°07'

For:
VOLCANO RESOURCES CORPORATION
Suite 502 - 595 Howe Street
Vancouver, B.C.
V6C 2T5

By:
D. H. WAUGH, Geologist

December 1987
Field work: September 10 - October 21, 1987

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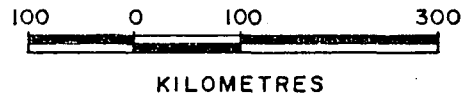
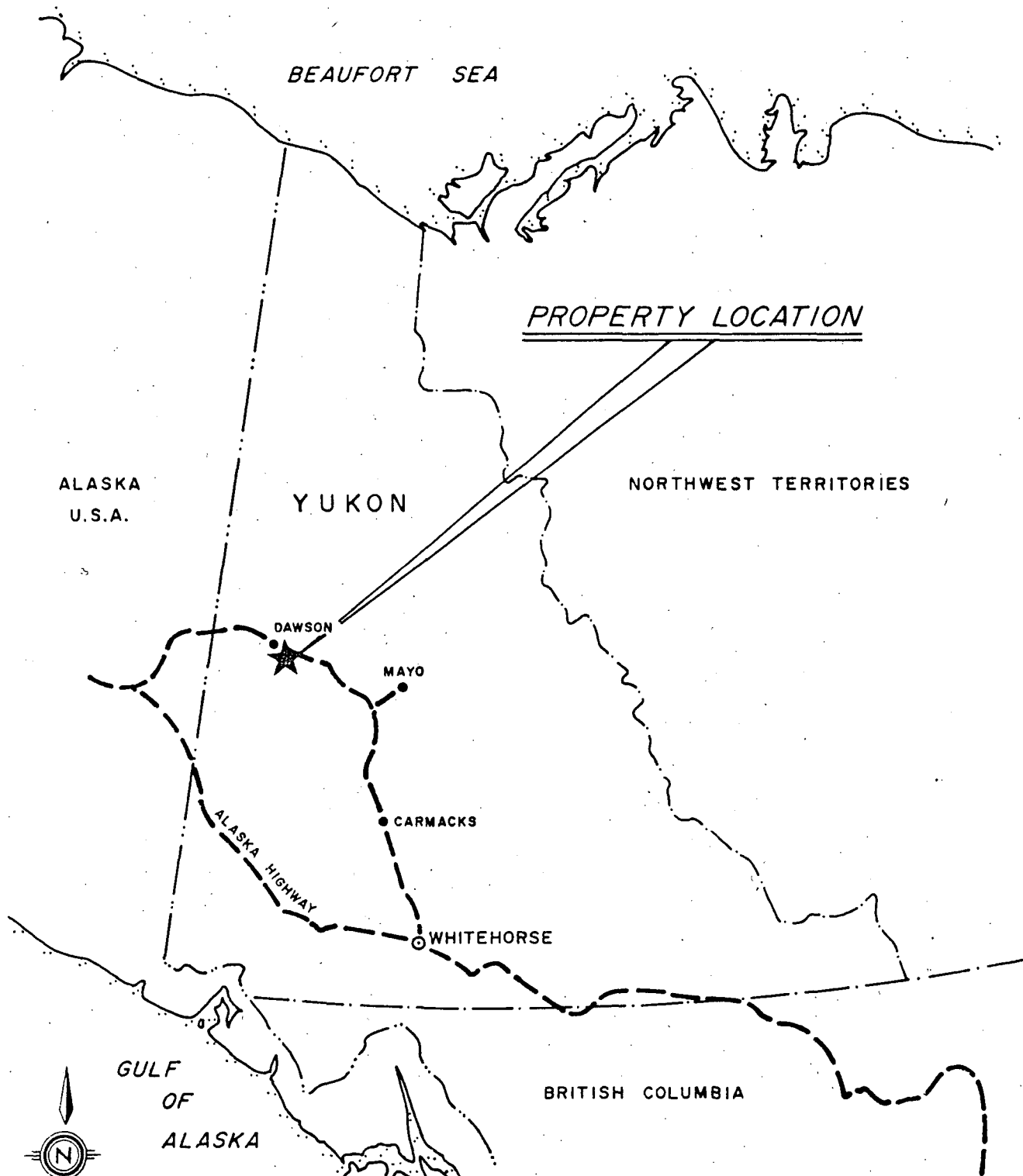
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Map Pocket

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VOLCANO RESOURCES CORP.			
McKINNON CREEK KEY PROPERTY McKINNON CREEK, INDIAN RIVER AREA DAWSON MINING DISTRICT, YUKON			
LOCATION PLAN			
SCALE: 1: 7,603,200	DATE: FEB. 87	FIGURE: 1	DRAFTED BY: B.D.S.

INTRODUCTION

This report is written as a follow-up to the 1987 diamond drilling program on the McKinnon Creek KEY 3 and KEY 5 claims and is a representation work requirement. Fieldwork was conducted during the periods of September 10 thru October 21, 1987 by D. H. Waugh Contract Geological Services for Volcano Resources Corp.

The diamond drilling was contracted to Kluane Drilling Ltd. of 14 MacDonald Road, Whitehorse, Yukon.

The purpose of the drill program was to test the economic potential of the property in the vicinity of some of the old shafts and adits where historic data indicated gold values of possible economic tenor from the McKinnon Creek conglomerates.

PROPERTY AND OWNERSHIP

The property consisted of 123 contiguous quartz claims held by location at the time the drill program was conducted.

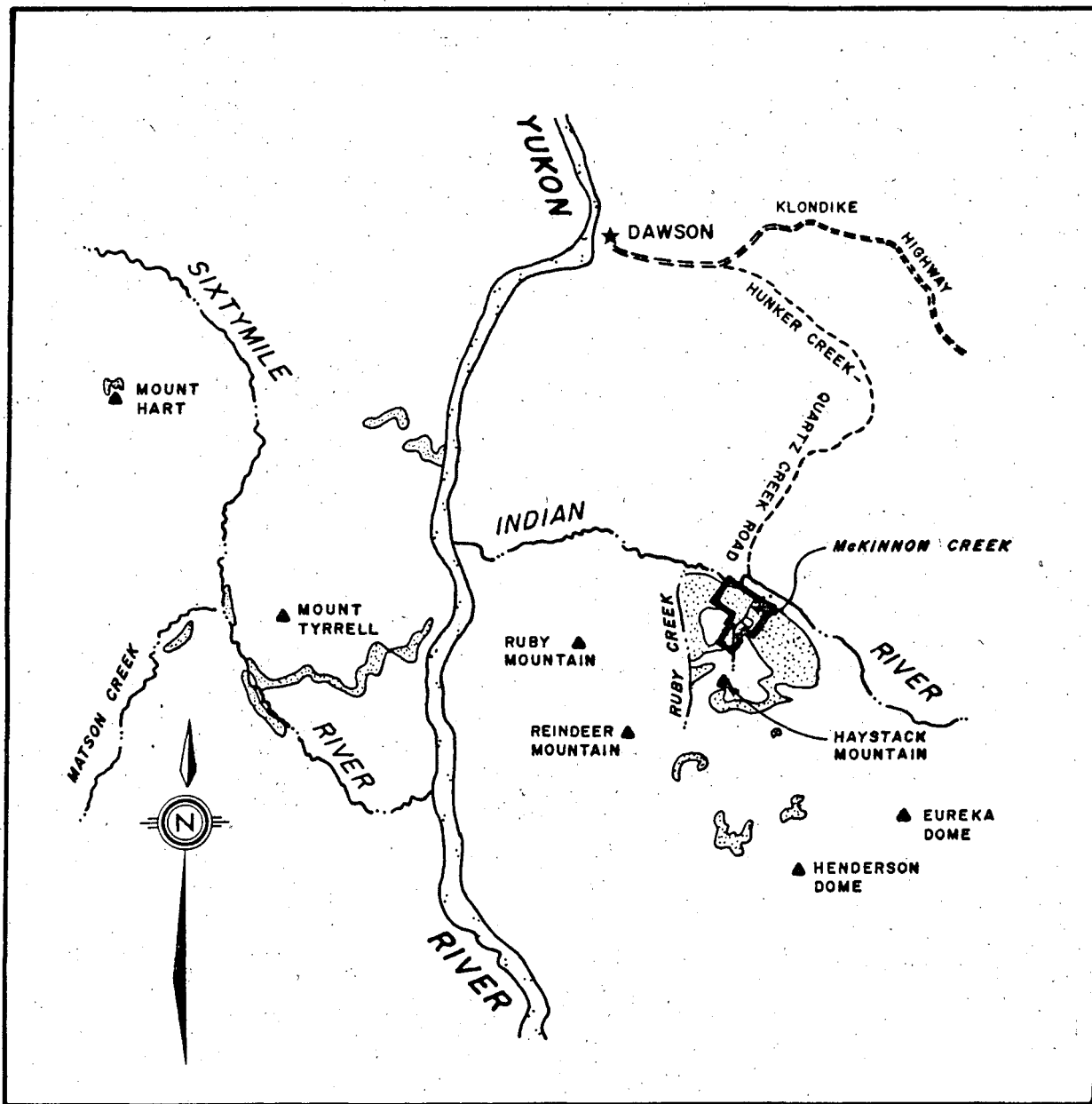
The claims are located on Claim Sheet 115-O-11 and are as listed below. (Expiry dates are subject to acceptance of the assessment work described in this report.)

<u>Claim Number</u>	<u>Record Number</u>	<u>Expiry Date</u>
KEY 1-12 incl.	YA 87792 - YA 87803 incl.	3 February 1992
KEY 13 Fr.	YA 88703	3 February 1993
KEY 14, 16	YA 87804, YA 87805	3 February 1992
KEY 15 Fr.	YA 88704	3 February 1993
KEY 17, 18	YA 87818, YA 87819	3 February 1992
KEY 19-28 incl.	YA 87808 - YA 87817 incl.	3 February 1992
KEY 29-38 incl.	YA 87820 - YA 87829 incl.	3 February 1992
KEY 39 Fr.	YA 88705	3 February 1993
KEY 40-51 incl.	YA 88706 - YA 88717 incl.	3 February 1993
KEY 52-75 incl.	YA 88718 - YA 88741 incl.	3 February 1989
KEY 76-85 incl.	YA 88742 - YA 88751 incl.	3 February 1993
KEY 86-109 incl.	YA 88752 - YA 88775 incl.	3 February 1989
KEY 110-123 incl.	YA 88798 - YA 88811 incl.	10 February 1989

The claims are currently in good standing, subject to acceptance of this report, and are held under option by Volcano Resources Corp. of 502-595 Howe Street, Vancouver, B.C., V6C 2T5.

140°00'

139°00'



64°00'

63°30'

 DISTRIBUTION OF CLASTIC
SEDIMENTARY ROCKS

FROM: G.W. LOWEY, 1984



VOLCANO RESOURCES CORP.

McKINNON CREEK KEY PROPERTY

McKINNON CREEK, INDIAN RIVER AREA

DAWSON MINING DISTRICT, YUKON

CLAIM LOCATION MAP

SCALE: 1:250,000	DATE: FEB. 87	MAP SHEET: 115-0-11	FIGURE: 2	DRAFTED BY: B.D.S.
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D.H. WAUGH, CONTRACT GEOLOGICAL SERVICES

LOCATION AND ACCESS

The KEY claims are located along McKinnon Creek near its confluence with the Indian River - a distance of about 40 kilometers southeasterly from Dawson City in the Dawson Mining District of the Yukon Territory, at latitude $139^{\circ}07'$ and longitude $63^{\circ}43'$.

The property is accessible by government-maintained gravel roads that lead from Dawson City via the Upper Bonanza Creek road or via the Hunker Creek road to the junction of the Quartz Creek road - a distance of about 29 kilometers and 34 kilometers respectively. The Quartz Creek road is periodically maintained and leads to the Indian River over a distance of approximately 11 kilometers. A bulldozer trail leads up the south bank of the Indian River, then up McKinnon Creek to the field camp - a distance of 6.5 kilometers from the ford at the Indian River crossing near the confluence of Quartz Creek. This section of road requires upgrading to provide year-round access by 4x4 vehicles. The last 0.5 kilometers to the camp was accessed by all-terrain-vehicles and partly by helicopter during mobilization.

Helicopter charter is available from Dawson City on a year-round basis.

TOPOGRAPHY AND CLIMATE

The elevation of the claims varies between 460 and 730 meters above sea level. Most of the property is occupied by gentle slopes. Grades steepen somewhat in the vicinity of McKinnon Creek along the east bank of the valley.

Permafrost conditions occur as lenses in the creek valley, particularly along the west facing slopes of the east side where drilling was conducted.

Winters are usually cold, with moderate to light snowfall and temperatures ranging from lows near -45°C and highs to -10°C , averaging about -25°C . The summers are temperate, with long, warm, sunny days and temperatures ranging from about 10°C to as high as 30°C , averaging about 20°C .

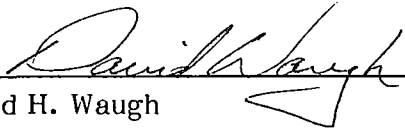
Rainfall is usually light but the region experienced a wet summer and fall during 1987. Generally, though, summers and falls are historically dry and the climate can be classified as semi-arid.

STATEMENT OF QUALIFICATIONS

I, **DAVID H. WAUGH**, of 118 Alsek Road, Whitehorse in the Yukon Territory, HEREBY STATE that:

1. I have practised my profession as an exploration geologist for 23 years.
2. I was educated at Michigan Technological University, class of 1964, and majored in geological engineering.
3. I personally supervised and managed the diamond drilling and related work on the KEY 3 and 5 quartz claims during September and October, 1987, which property is held under option by Volcano Resources Corp.
4. The observations made in this report are those of my own unless otherwise disclosed.

DATED at Whitehorse, Yukon, this 13th day of December, 1987.



David H. Waugh

McKINNON CREEK - DRILL PROGRAM
VOLCANO RESOURCES CORP.
KEY CLAIMS

COST STATEMENT

Period: September 4, 1987 - December 16, 1987
Fieldwork: September 10, 1987 - October 21, 1987

<u>Drilling</u>	Kluane Drilling Ltd: 464 meters of NQ core; holes 87-1 thru 87-9	\$ 67,080.90
<u>Geological Services</u>	D. H. Waugh: 69 days (July 1 - December 16, 1987) - geological, supervision and management services Geologist - M. Fekete: 35 days (Sept. 8/Oct. 20) Geologist-G.Davidson: 7 days (Sept. 25/Oct. 2) Consulting geologist - T. Tough: 4 days (Oct. 5-27)	20,700.00 6,025.00 1,750.00 1,200.00
<u>Labour</u>	Camp cook: 30 days) Handyman: 16 days) Labourer: 22 days)	8,250.00
<u>Bulldozer Support</u>	H. Coyne & Sons, D7E Cat: Sept. 9-Oct. 21	27,770.50
<u>Transportation</u>	Scheduled airlines: CA/Alkan Air Helicopter charter: Capital Helicopters Vehicle rentals: trucks/cars/ATV's Taxis, air and highway freight: CA/Alkan/Frontier etc Fuel - gas/diesel Repairs: minor service and repairs	4,290.70 3,339.00 10,304.65 1,003.50 3,665.65 246.00
<u>Accommodation</u>	Camp - D.H. Waugh: trailer camp rental and equipment rental Hotel - hotel rooms only	4,800.00 2,284.40
<u>Groceries/Meals</u>	Camp groceries, hotel and restaurant meals/tips	6,282.11
<u>Supplies</u>	Field and camp supplies; minor equipment parts	3,342.14
<u>Expediting</u>	Expediting services; minor supplies	395.00
<u>Report</u>	Drafting, reproduction, secretarial, supplies	975.12
<u>Assays</u>	Gold and silver assays for 90 samples	1,921.50
	SUBTOTAL	<u>\$176,782.32</u>
<u>Claims</u>	Filing fees on KEY 1-39 incl., KEY 76-81 incl. renewals	1,230.00
	TOTAL	<u><u>\$178,012.32</u></u>

David Tough

APPENDIX I

BIBLIOGRAPHY

- | | | |
|----------------------|------|--|
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| Bostock, H. S. | 1942 | Ogilvie, Yukon Territory: G.S.C. Map 711A. |
| Tully, D. W., P.Eng. | 1974 | "KIN No. 1-16 Claim Group, McKinnon Creek, Indian River Area, Dawson Mining District, Yukon Territory." |
| Armstrong, W. P. | 1969 | "Geological Report on MAC Group 1-16 for Cominco Ltd." |
| Adamson, J. A. | 1980 | "Drilling Report, Coal Licence 101, Cyprus Anvil Mining Corporation." |
| Lowey, G. Wm. | 1984 | "The Stratigraphy and Sedimentology of Siliciclastic Rocks, West-Central Yukon, and their Tectonic Implications" - PhD thesis. |

DIAMOND DRILL RECORD

PROPERTY MacKinnon Creek - Vol. and Resources **HOLE NO.** 87-1

SHEET NUMBER 1 of 2 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE 97+04N DATUM _____ COMPLETED _____
 DEPARTURE 105 15E BEARING _____ ULTIMATE DEPTH 148' (45.1 m)
 ELEVATION 1974' (601.7 m) DIP -90° PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
0 - 24	CASING									
		56001	24	27						
24 - 40.5	QUARTZ PEBBLE CONGLOMERATE - white to gray,	34101	27	32						
	clast supported slight argillic to sericitic	34102	32	40.5						
	alteration	56002	40.5	43.5						
		56003	43.5	48.5						
40.5 - 70	- very broken with poor recovery; matrix									
	lost and quartz pebble returned	56004	48.5	52						
		56005	52	56						
70 - 79	- white, very bleached, intense argillic	56006	56	70						
	alteration	56007	70	73						
		56008	73	76						
79 - 94	- white-rusty as fractures very broken and									
	crumbled	56009	76	79						
		56010	79	82						
94 - 126	"FELSIC" VOLCANIC - pale to slightly rusty,	56011	82	85						
	very soft with intense argillic/supergene	56012	85	90						
	alteration; probably altered andesite	56013	90	93						
	porphyry, crumbled and broken									

DRILLED BY _____

SIGNED

DIAMOND DRILL RECORD

PROPERTY _____ HOLE NO. 87-1

SHEET NUMBER 2 of 2 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE _____ DATUM _____ COMPLETED _____
 DEPARTURE _____ BEARING _____ ULTIMATE DEPTH _____
 ELEVATION _____ DIP _____ PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES			
126 - 129	ANDESITE PORPHYRY - slightly rusty porphyritic volcanic; rustiness is stain over basic texture; phenocrysts visible slightly clouded	56014	93	96.5					
		56015	96.5	100					
		56016	100	103					
129 - 151	- dark green fresh; chloritized + 1% disseminated pyrite indicates pervasive weak propylitic alteration	56017	123	126					
		56018	126	129					
		56019	129	133					

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DIAMOND DRILL RECORD

PROPERTY MacKinnon Creek - Volca Resources **HOLE NO.** 87-2

SHEET NUMBER 1 of 3 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE 97+04N DATUM _____ COMPLETED _____
 DEPARTURE 105+15E BEARING 125 ULTIMATE DEPTH 151' (46 m)
 ELEVATION 1974' (601.7 m) DIP -70° PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES			
0 - 33	CASING	56029	34	37					
		56030	37	40					
33 - 55	QUARTZ PEBBLE CONGLOMERATE (QPC) - poorly indurated, clast supported; 80% gray to white quartz clasts + 20% gray to black clastic material (sst, mst) clasts; clasts very well rounded indicating that material was very well worked before disposition; clasts range from 1/8" to >2" with 1/2" average; matrix soft, crumbly with moderate (clay) alteration + weak sericitic alteration, minor rust on fractures @ ±10-20° to C/A	56031	40	43					
		56032	43	46					
		56033	46	47					
		56034	49	52					
		56035	52	55					
		56020	55	57					
		56021	57	59					
		56022	59	61.5					
		56023	61.5	64					
		56024	64	69					
		56025	69	73					
55 - 57.5	QPC - as to 55' but very broken and crumbled with intense argillic (clay) alteration - shear?	56036	73	76					
		56037	76	79					
57.5 - 59	QPC - very rusty	56038	79	82					
		56039	82	85					
59 - 62.5	QPC - intense silicification, rusty, clasts very angular and broken, suggesting breccia-	56040	85	88					
		56041	88	91					

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SIGNED *D. Langh*

DIAMOND DRILL RECORD

PROPERTY _____ HOLE NO. 87-2

SHEET NUMBER 2 of 3 SECTION FROM _____ TO _____ STARTED _____


LATITUDE _____ DATUM _____ COMPLETED _____

DEPARTURE _____ BEARING _____ ULTIMATE DEPTH _____

ELEVATION _____ DIP _____ PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES			
	tion by hydrothermal processes; fracture @	56042	91	94					
	30° to C/A	56043	94	97					
		56044	97	101					
62.5 - 74	QPC - very rusty broken material; intense clay alteration of matrix; possible fault gouge FW to breccia zone	56045	101	104					
		56046	104	107					
74 - 84	QPC - white to gray; rusty on fractures; very broken with only clasts recovered in some intervals (matrix probably lost in drilling)	56047	107	109.75					
		56048	109.75	113					
		56026	117	118.25					
84 - 87	QPC - white to grey with intense silification + weak sericitic alteration (indicated by muscovite)								
87 - 92.6	QPC - white to gray; rusty on fractures; very broken; intense but spotty silicification								

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DIAMOND DRILL RECORD

PROPERTY _____ HOLE NO. 87-2

SHEET NUMBER 3 of 3 SECTION FROM _____ TO _____ STARTED _____

LATITUDE _____ DATUM _____ COMPLETED _____

DEPARTURE _____ BEARING _____ ULTIMATE DEPTH _____

ELEVATION _____ DIP _____ PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
92.6 - 109.75	QPC - white to gray, rusty on fractures; intense silicification									
109.75 - 117	SILTSTONE - grey to black, well-bedded @ 40° to C/A									
117 - 118.25	QPC - rusty gray to white quartz pebble conglomerate	56027	144.0	146.75	2.75					
		56028	146.75	151.0	4.25					
118.25 - 124.25	SILTSTONE - grey to black, sandy matrix, bedding @ 40° to C/A									
124.25 - 128	QPC - gray to black, very graphitic matrix; clasts average $\frac{1}{4}$"									
128 - 140	SILTSTONE - gray to black siltstone, very graphitic fissile along bedding planes @ 60° to C/A; numerous fractures within fine grained reddish hematite (martite)									
140 - 151	SILTSTONE - very black; bedding planes @ 60° to C/A									

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DIAMOND DRILL RECORD

PROPERTY MacKinnon Creek - Volcano sources **HOLE NO.** 87-3

SHEET NUMBER 1 of 2 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE 97+01 N DATUM _____ COMPLETED _____
 DEPARTURE 105+11.5 E BEARING 285 ULTIMATE DEPTH 299' (91.1 m)
 ELEVATION 1974' (601.7 m) DIP -55° PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
0 - 54	CASING									
54 - 58	QUARTZ PEBBLE CONGLOMERATE - very broken	34093	54	58						
	gray to white, rusty; much of matrix lost	34094	58	61						
	leaving only quartz clasts, silicification	45095	61	64						
58 - 71	"FELSIC" VOLCANIC - pale to slightly rusty, very soft intense argillic alteration; phonocryst "ghosts" apparent, probably intensely altered andesite porphyry									
71 - 93	"FELSIC" VOLCANIC - similar to above but very pale white	34096	82	87						
		34097	98	102						
93 - 107	"FELSIC" VOLCANIC - slightly rusty grading into fresher volcanic									
107 - 118	ANDESITE PORPHYRY - light green; feldspar phenocrysts clouded and slightly rusty; matrix dulled and patchy, rusty, chloritized									

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DIAMOND DRILL RECORD

PROPERTY _____ HOLE NO. 87-3

SHEET NUMBER 2 of 2 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE _____ DATUM _____ COMPLETED _____
 DEPARTURE _____ BEARING _____ ULTIMATE DEPTH _____
 ELEVATION _____ DIP _____ PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
118 - 152	ANDESITE PORPHYRY - rusty, very clay altered; note 137-138 large fracture @ 30° to C/A with dark material (MnO ₂), possible fault	34098	149	153						
		34099	153	157						
152 - 165	ANDESITE PORPHYRY - light green with white clouded feldspar phenocrysts, matrix chloritized with ±1% disseminated pyrite indicating pervasive propylitic alteration	34100	168	172						
165 - 176	- thin zone of intense chloritization									
176 - 195	- light green, similar to 157-165									
195 - 211	- buff coloured, possibly a more dacitic/rhyolitic layer									
211 - 277	- light green with thin calcite veinlets									
277 - 290	- massive to slightly porphyritic; generally finer grained									

DRILLED BY _____

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DIAMOND DRILL RECORD

PROPERTY MacKinnon Creek - Volcar. Resources HOLE NO. 87-4

SHEET NUMBER 1 of 3 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE 96+8 5 E DATUM _____ COMPLETED _____
 DEPARTURE 105+14.5 N BEARING 195 ULTIMATE DEPTH 201' (61.3 m)
 ELEVATION 1974' (601.7 m) DIP -70° PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES			
0 - 27	CASING								
27 - 35	QUARTZ PEBBLE CONGLOMERATE (QPC) - poor	34051	27	35					
	recovery mostly broken quartz clasts;	34052	35	40					
	matrix shows moderate argillic alteration	34053	40	43					
		34054	43	46					
35 - 54	QPC - clast supported; quartz clasts mostly	34055	46	49					
	but some dark siltstone clasts; matrix								
	patchy discontinuous rusty supergene alter-	34056	49	54					
	ation; moderate to intense argillic seri-	34057	54	57					
	citic alteration	34058	57	60					
		34059	60	65					
54 - 71	QPC - very rusty with some sections very	34060	65	68					
	crumbled and decomposed and others intensely								
	silicified with apparent hydro-thermal	34061	68	71					
	brecciation. HW contact very distinct @	34062	71	74					
	±20° to C/A	34063	74	77					
		34064	77	80					
71 - 119	QPC - clast supported; mostly white to gray	34065	80	83					
	quartz clasts with ±10% gray to black	34066	83	86					
	clastic material; matrix very hard, silici-	34067	86	89					

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DIAMOND DRILL RECORD

PROPERTY _____ HOLE NO. 87-4

SHEET NUMBER 2 of 3 SECTION FROM _____ TO _____ STARTED _____

LATITUDE _____ DATUM _____ COMPLETED _____

DEPARTURE _____ BEARING _____ ULTIMATE DEPTH _____

ELEVATION _____ DIP _____ PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES			
	fied and brittle - shattering when struck;	34068	89	92					
	thin zones with graphitic matrix and/or	34069	92	95					
	sandy matrix; clasts average 0.5 - 1" but	34070	95	98					
	up to 2"; possible bedding planes measured								
	at 72' @ 40° to C/A	34071	98	101					
		34072	101	104					
119 - 130.5	SILTSTONE - black to gray; thin bedded	34073	104	107					
	with bedding @ 45° to C/A, slightly graphitic	34074	107	110					
		34075	110	113					
130.5 - 137.5	QPC - speckled gray, white, black; up to 60%								
	quartz clasts, 40% black to gray clastic	34076	113	116					
	material clasts	34077	116	118					
137.5 - 151	SILTSTONE - sandy matrix; gray to black;								
	convoluted bedding @ ±40° to C/A; banded								
	appearance caused by alternating beds of	34078	130.5	134					
	gray and black material	34079	134	137.5					
151 - 157	SILTSTONE - pale gray sandy siltstone with								
	beds of hematitic material; soft crumbling								
	with argillic (clay) alteration bedding								

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SIGNED *D. Wang*

DIAMOND DRILL RECORD

PROPERTY _____ HOLE NO. 87-4

SHEET NUMBER 3 of 3 SECTION FROM _____ TO _____ STARTED _____
LATITUDE _____ DATUM _____ COMPLETED _____
DEPARTURE _____ BEARING _____ ULTIMATE DEPTH _____
ELEVATION _____ DIP _____ PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES			
	planes @ 20° to C/A								
157 - 182	SILTSTONE - black to gray; some massive and some bedded with bedding @ 30-40° to C/A								
182 - 196	SANDSTONE - light gray salt and pepper colour; some large "erratic" clasts								
196 - 201	SILTSTONE - very black almost coal-like; massive								
	END OF HOLE								

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SIGNED *Ph. Laugh*

DIAMOND DRILL RECORD

PROPERTY MacKinnon Creek - Volcano sources HOLE NO. 87-5

SHEET NUMBER 1 of 2 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE 97+1.5 N DATUM _____ COMPLETED _____
 DEPARTURE 105+14.5 E BEARING 020 ULTIMATE DEPTH 79' (30.1 m)
 ELEVATION 1974' (601.7 m) DIP -70° PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
0 - 22	CASING									
22 - 32	QUARTZ PEBBLE CONGLOMERATE - mottled gray	34080	24	28						
	to white, slightly rusty; very hard due to	34081	28	32						
	silicification; some core loss due to	34082	32	36						
	grinding of matrix	34083	36	40						
		34084	40	44						
32 - 46	- soft and crumbled; intense argillic	34085	44	48						
	alteration	34086	48	52						
		34087	52	56						
46 - 54.5	- soft and crumbled; matrix very rusty	34088	56	60						
54.5 - 57	- gray to white, broken, some loss due to									
	matrix wash; intense silicification	34089	68	72						
57 - 73	"FELSIC" VOLCANIC - very bleached white,									
	porphyritic texture barely discernible;									
	very soft due to intense clay alteration									
73 - 91	- soft, rusty; grading into rock below	34090	87	91						

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DIAMOND DRILL RECORD

PROPERTY _____ HOLE NO. 87-5

SHEET NUMBER 2 of 2 SECTION FROM _____ TO _____ STARTED _____

LATITUDE _____ DATUM _____ COMPLETED _____

DEPARTURE _____ BEARING _____ ULTIMATE DEPTH _____

ELEVATION _____ DIP _____ PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES			
91 - 99	ANDESITE PORPHYRY - light to dark green, zones of intense chloritization; matrix shows minor ($\pm 1\%$) pyrite + chloritization indicates propylitic alteration	34091 34092	91 94	94 96					
	END OF HOLE								

DRILLED BY _____

SIGNED *D. Wang*

DIAMOND DRILL RECORD

PROPERTY MacKinnon Creek - Volcano Sources HOLE NO. 87-6

SHEET NUMBER 1 of 2 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE 99+08 N DATUM _____ COMPLETED _____
 DEPARTURE 104+89 E BEARING _____ ULTIMATE DEPTH 151' (46 m)
 ELEVATION 1905' (580.6 m) DIP -90° PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
0 - 20	CASING					Au				
20 - 35	SILTSTONE - black, massive, matrix muddy									
35 - 40	CONGLOMERATE - poorly sorted, matrix supported, matrix very black, muddy	34103	35	40	5					
40 - 44	SILTSTONE - black, massive; matrix muddy									
44 - 55	SILTSTONE - gray to rusty; well bedded @ 75° to C/A									
55 - 68	SANDSTONE - gray to rusty, well bedded @ 75° to C/A									
68 - 73	INTERLAYERED SANDSTONE/SILTSTONE - distinct beds of sandstone alternating with siltstone									
73 - 103	SILTSTONE - gray to rusty; matrix sandy; well bedded @ 80° to C/A									

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DIAMOND DRILL RECORD

PROPERTY _____

HOLE NO. 87-6 _____

SHEET NUMBER 2 of 2

SECTION FROM _____ TO _____

STARTED _____

LATITUDE _____

DATUM _____

COMPLETED _____

DEPARTURE _____

BEARING _____

ULTIMATE DEPTH _____


ELEVATION _____

DIP _____

PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES			
103 - 110	VOLCANIC PORPHYRY - light coloured and speckled; altered andesite or dacitic volcanic?								
110 - 151	ANDESITE PORPHYRY - dark green; matrix chloritized; feldspar phenocrysts slightly chloritized								

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DIAMOND DRILL RECORD

PROPERTY MacKinnon Creek - Volcan. Resources HOLE NO. 87-7

SHEET NUMBER 1 of 2 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE 99 + 08 N DATUM _____ COMPLETED _____
 DEPARTURE 104 + 90 E BEARING 355 ULTIMATE DEPTH 204'
 ELEVATION 1905' (580.6 m) DIP -60³ PROPOSED DEPTH 150'

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
0 - 20	CASING									
20 - 62	SILTSTONE - black to slightly rusty brown; bedding @ 40° to C/A									
62 - 78	SANDSTONE - brown to slightly rusty; bedding @ 40° to C/A									
78 - 81	SANDSTONE - very rusty									
81 - 90	SANDSTONE - brown to slightly rusty, bedding @ 30° to C/A									
90 - 101	SANDSTONE - gray with very black clasts of clay up to 1" long; 'ripup clasts'									
101 - 139	SILTSTONE - gray, very well bedded @ 50° to C/A; lense of coarse gray sandstone at 115-117									

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DIAMOND DRILL RECORD

PROPERTY _____

HOLE NO. 87-7

SHEET NUMBER 2 of 2

SECTION FROM _____ TO _____

STARTED _____

LATITUDE _____

DATUM _____

COMPLETED _____

DEPARTURE _____

BEARING _____

ULTIMATE DEPTH _____

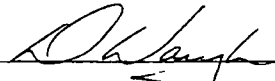
ELEVATION _____

DIP _____

PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
139 - 176	"FELSIC" VOLCANIC - light gray to buff colour; porphyritic texture; light colour may be due to alteration of dark green porphyritic andesite									
176 - 204	ANDESITE PORPHYRY - light to dark green; shows pervasive propylitic alteration (chloritite, pyrite)									
	END OF HOLE									

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SIGNED 

DIAMOND DRILL RECORD

PROPERTY MacKinnon Creek - Volcanic resources HOLE NO. 87-8

SHEET NUMBER 1 of 1 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE 101+12 N DATUM _____ COMPLETED _____
 DEPARTURE 104 33 E BEARING 045 ULTIMATE DEPTH 149' (45.4 m)
 ELEVATION 1900' (879.1 m) DIP -60° PROPOSED DEPTH _____

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
0 - 20	CASING									
20 - 64	SILTSTONE - grey to black; well bedded @ 45° to C/A, matrix sandy									
64 - 86	- gray to black, well bedded @ 40° to C/A; matrix muddy/silty									
86 - 126	- banded siltstone caused by alternating gray and black beds, bedding @ 50° to C/A; convoluted									
126 - 133	SANDSTONE - gray "salt and pepper" sandstone									
133 - 149	MUDSTONE - black, well bedded @ 60° to C/A									

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DIAMOND DRILL RECORD

PROPERTY MacKinnon Creek - Volca Resources HOLE NO. 87-9

SHEET NUMBER 1 of 1 SECTION FROM _____ TO _____ STARTED _____
 LATITUDE 100+98 N DATUM _____ COMPLETED _____
 DEPARTURE 104 38 E BEARING 140 ULTIMATE DEPTH 139' (42.4 m)
 ELEVATION 1900' (579.1 m) DIP -60° PROPOSED DEPTH 150'

DEPTH FEET	FORMATION	SAMPLE NO	FROM	TO	WIDTH	ASSAY VALUES				
0 - 20	CASING									
20 - 48	SILTSTONE - slightly rusty, gougey inter-layered siltstone, sandy siltstone, sand stone									
48 - 60	- black well bedded @ 50° to C/A									
60 - 71	SANDSTONE - slightly rusty; nondescript									
71 - 91	- gray "salt and pepper" colour									
91 - 121	SILTSTONE - black; well bedded @ 50° to C/A									
121 - 139	- well bedded @ 50° to C/A with alternating gray and white beds giving ribboned appearance									

DRILLED BY _____

SIGNED *D. Waugh*

DIAMOND DRILL CORE

SAMPLE DESCRIPTIONS

VOLCANO RESOURCES

KEY CLAIMS

September - October 1987

<u>Hole</u>	<u>Interval</u>	<u>Width (ft)</u>	<u>Sample #</u>	<u>Description</u>	<u>Au oz/ton</u>
87-1	24-27	3	56001	Quartz pebble conglomerate; slight argillic/sericitic alteration	
	27-32	5	34101	Ditto	
	32-40.5	8.5	34102	Ditto; poor recovery	
	40.5-43.5	3	56002	Very broken quartz pebble conglomerate	
	43.5-48.5	5	56003	Very broken, rusty quartz pebble conglomerate	
	48.5-52	3.5	56004	Ditto; poor recovery	
	52-56	4	56005	Quartz pebbles from conglom- erate; poor recovery returned only pebbles - no matrix	
	56-70	14	56006	Ditto	
	70-73	3	56007	White, bleached quartz pebble conglomerate	
	73-76	3	56008	White quartz pebble conglomerate	
	76-79	3	56009	Ditto	
	79-82	3	56010	Quartz pebble conglomerate; white, rusty on fractures; very broken	
	82-85	3	56011	Quartz pebble conglomerate; very broken; rusty on fractures with dark mineral (mnO ₂ ?)	
	85-90	5	56012	Quartz pebble conglomerate, very broken; white to rusty	
	90-93	3	56013	Quartz pebble conglomerate, very broken; white to rusty on frac- tures	

<u>Hole</u>	<u>Interval</u>	<u>Width (ft)</u>	<u>Sample #</u>	<u>Description</u>	<u>Au oz/ton</u>
87-1 (cont)	93-96.5	3.5	56014	Very broken white quartz pebble conglomerate inter-layered with light coloured volcanic porphyry; note poor recovery	
	96.5-100	3.5	56015	Volcanic porphyry - rusty to grey white	
	100-103	3	56016	Volcanic - light coloured; very soft and crumbly; intense clay alteration	
	123-126	3	56017	Andesite porphyry - slightly rusty; light coloured	
	126-129	3	56018	Ditto	
	129-133	4	56019	Andesite porphyry; dark green with ± 1% disseminated pyrite	
87-2	55-57	2	56020	Quartz pebble conglomerate; very broken; weak to moderate silicification	
	57-59	2	56021	Quartz pebble conglomerate; very rusty oxidized; crumbled and broken	
	59-61.5	2.5	56022	Quartz pebble conglomerate; rusty colour; intense silicification; clasts broken and angular indicating brecciation (hydrothermal?)	
	61.5-64	2.5	56023	Quartz pebble conglomerate; rusty clay altered matrix with grey quartz clasts	
	64-69	5	56024	Ditto	
	69-73	4	56025	Quartz pebble conglomerate; white to slightly rusty; intense clay alteration	
	117-118.25	1.25	56026	Quartz pebble conglomerate; thin lens in mudstone	
	144-146.75	2.75	56027	Mudstone with hematite; soft and broken	
	123-126	3	34253	Basal pebbly ss or sandy conglomerate, black	

<u>Hole</u>	<u>Interval</u>	<u>Width (ft)</u>	<u>Sample #</u>	<u>Description</u>	<u>Au oz/ton</u>
87-2 (cont)	126-127.5	1.5	34254	Basal pebbly ss or sandy con- glomerate; black	
	146.75-151	4.25	56028	Mudstone - light grey with streaks of hematite	
	34-37	3	56027	White quartz pebble conglomerate	
	37-40	3	56030	Ditto	
	40-43	3	56031	Ditto	
	43-46	3	56032	Ditto	
	46-49	3	56033	Ditto	
	49-52	3	56034	Ditto	
	52-55	3	56035	Ditto	
	73-76	3	56036	White quartz pebble conglomer- ate; silicified	
	76-79	3	56037	Quartz pebble conglomerate; white to rusty; silicified with minor sericitic alteration; very broken	
	79-82	3	56038	Ditto; poor recovery - matrix lost	
	82-85	3	56039	Quartz pebble conglomerate; white, silicified	
	85-88	3	56040	Ditto	
	88-91	3	56041	Ditto	
	91-94	3	56042	Ditto	
	94-97	3	56043	Ditto	
	97-101	4	56044	Ditto	
	101-104	3	56045	Ditto	
	104-107	3	56046	Ditto	
	107-109.75	2.25	56047	Ditto	
	109.75-113	3.25	56048	Siltstone; sandy, grey to black	

<u>Hole</u>	<u>Interval</u>	<u>Width (ft)</u>	<u>Sample #</u>	<u>Description</u>	<u>Au oz/ton</u>
87-3	54-58	4	34093	Very broken quartz pebble conglomerate	
	58-61	3	34094	Crumbled clay altered rusty volcanic	
	61-64	3	34095	Ditto	
	82-87	5	34096	Ditto	
	98-102	4	34097	Very rusty, intense clay altered volcanic porphyry	
	149-153	4	34098	Andesite porphyry	
	153-157	4	34099	Ditto	
	168-172	4	34100	Ditto	
87-4	27-35	8	34051	Quartz pebble conglomerate; very broken with poor recovery	
	35-40	5	34052	Quartz pebble conglomerate matrix shows argillic and sericitic alteration	
	40-43	3	34053	Ditto	
	43-46	3	34054	Ditto	
	46-49	3	34055	Ditto	
	49-54	5	34056	Ditto	
	54-57	3	34057	Quartz pebble conglomerate; parts show intense silicate alteration with brecciation and parts very crumbly, rusty	
	57-60		34058	Quartz pebble conglomerate; rusty crumbling with section of intense silicification	
	60-65		34059	Quartz pebble conglomerate; intense silicification; rusty and very broken, appears brecciated with open spaces	
	65-68	3	34060	Quartz pebble conglomerate; slightly rusty with intense silicification, brecciated	

KEY CLAIMS

<u>Hole</u>	<u>Interval</u>	<u>Width (ft)</u>	<u>Sample #</u>	<u>Description</u>	<u>Au oz/ton</u>
87-4 (cont)	68-71	3	34061	Quartz pebble conglomerate; rusty and broken	
	71-74	3	34062	Quartz pebble conglomerate; white to grey with silici- fication	
	74-77	3	34063	Ditto	
	77-80	3	34064	Ditto	
	80-83	3	34065	Ditto	
	83-86	3	34066	Ditto	
	86-89	3	34067	Ditto	
	89-92	3	34068	Ditto	
	92-95	3	34069	Ditto	
	95-98	3	34070	Ditto	
	98-101	3	34071	Ditto	
	101-104	3	34072	Ditto	
	104-107	3	34073	Ditto	
	107-110	3	34074	Ditto	
	110-113	3	34075	Ditto	
	113-116	3	34076	Ditto	
	116-119	3	34077	Ditto	
	130.5-134	3.5	34078	Lens of conglomerate within siltstone	
	134-137.5	3.5	34079	Ditto	
87-5	24-28	4	34080	Quartz pebble conglomerate; very broken	
	28-32	4	31081	Quartz pebble conglomerate; very broken; silicified	
	32-36	4	34082	Quartz pebble conglomerate, very broken, crumbled, intense argillic (clay) alteration	

<u>Hole</u>	<u>Interval</u>	<u>Width (ft)</u>	<u>Sample #</u>	<u>Description</u>	<u>Au oz/ton</u>
87-5 (cont)	36-40	4	34083	Quartz pebble conglomerate; very broken and crumbled, intense clay alteration	
	40-44	4	34084	Ditto	
	44-48	4	34085	Ditto	
	48-52	4	34086	Quartz pebble conglomerate; rusty, crumbled, broken	
	52-56	4	34087	Quartz pebble conglomerate; white to grey; silicified	
	56-60	4	34088	Quartz pebble conglomerate, just HW to altered volcanic	
	68-72	4	34089	"Felsic" volcanic - very soft with intense argillic alteration	
	87-91	4	34090	Andesite porphyry - soft, clay altered and rusty	
	91-94	3	34091	Andesite porphyry - light green	
	94-96	2	34092	Ditto	
87-6	35-40	5	34103	Matrix supported conglomerate; matrix very black and muddy	

APPENDIX III

MIN-EN LABORATORIES LTD.

Specialists in Mineral Environments

705 West 15th Street North Vancouver, B.C. Canada V7M 1T2

FAC 504)980-5814 DR (604)988-4524

TELEX:VIA USA 7601067 UC

Analytical Report

Company: VOLCANO RESOURCES

Project:

Attention: W. JACKSON/W. G. TIMMINS/D. H. WAUGH

File: 7-1507

Date: OCT 6/87

Type: ROCK ASSAY

Date Samples Received : OCT 1/87

Samples Submitted by : D. H. WAUGH

Report on	Geochem Samples
.....
.....	Assay Samples
.....

Copies sent to:

1. W. JACKSON, VANCOUVER, B.C.
2. W. G. TIMMINS, VANCOUVER, B.C.
3. D. WAUGH, WHITEHORSE, YUKON

Samples: Sieved to mesh Ground to mesh -100.....

Fr and samples stored: Y..... discarded:

rejects stored: X..... discarded:

Methods of analysis: AU-FIRE; AG - ACID DIGESTION, CHEMICAL ANALYSIS

Remarks

MIN-EN LABORATORIES LTD.

Specialists in Mineral Environments

705 West 15th Street North Vancouver, B C Canada V7M 1T2

PHONE (604) 980-5814 OR (604) 988-4524

TELEX VIA USA 7601067 UC

Certificate of ASSAY

Company VOLCANO RES
 Project
 Attention: W. JACKSON/W.G TIMMINS/D H WAUGH

File: 7-1503/P1
 Date: OCT 6/87
 Type: ROCK ASSAY

We hereby certify the following results for samples submitted

Sample Number	AG G/TONNE	AG OZ/TON	AU G/TONNE	AU OZ/TON
56 001	0 1	0 01	0 02	0 001
56 003	0 1	0 01	0 07	0 001
56 007	0 2	0 01	0 07	0 001
56 004	0 1	0 01	0 01	0 001
56 005	0 1	0 01	0 02	0 001
56 006	0 3	0 01	0 02	0 001
56 007	0 2	0 01	0 03	0 001
56 008	0 2	0 01	0 06	0 002
56 009	0 2	0 01	0 15	0 004
56 010	0 1	0 01	0 41	0 012
56 011	0 4	0 01	0 34	0 010
56 012	0 2	0 01	0 12	0 004
56 017	0 2	0 01	0 14	0 004
56 014	6 7	0 20	0 04	0 001
56 015	0 4	0 01	0 17	0 005
56 016	0 1	0 01	0 02	0 001
56 017	0 2	0 01	0 07	0 001
56 018	0 6	0 02	0 03	0 001
56 019	0 5	0 01	0 05	0 001
56 020	0 3	0 01	0 20	0 006
56 021	0 3	0 01	0 07	0 001
56 022	0 1	0 01	0 01	0 001
56 023	0 2	0 01	0 08	0 002
56 024	0 1	0 01	0 11	0 003
56 025	0 3	0 01	0 18	0 005
56 026	0 1	0 01	0 07	0 001
56 027	0 7	0 01	0 02	0 001
56 028	0 1	0 01	0 02	0 001

Certified by



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Specialists in Mineral Environments

705 West 15th Street North Vancouver, B.C. Canada V7M 1T2

PHONE: (604)980-5814 OR (604)988-4524

TELEX: VIA USA 7601067 UC

Analytical Report

Company: VOLCANO RESOURCES
Project: VOLCANO
Attention: W. JACKSON/D. WAUGH

File: 7-1551
Date: OCT 8/87
Type: ROCK ASSAY

Date Samples Received : OCT 5/87
Samples Submitted by : D. WAUGH

Report on Geochem Samples
.....
..... 11 Assay Samples
.....

Copies sent to:

- 1. VOLCANO RESOURCES, VANCOUVER, B.C.
- 2. D. WAUGH, WHITEHORSE, YUKON.
- 3.

Samples: Sieved to mesh Ground to mesh -150....

Prepared samples stored: X discarded:
rejects stored: X discarded:

Methods of analysis:

- AG - ACID DIGESTION-CHEMICAL ANALYSIS.
- AU - FIRE ASSAY.

Remarks

MIN-EN LABORATORIES LTD.

Specialists in Mineral Environments

705 West 15th Street North Vancouver, B C Canada V7M 1T2

PHONE (604)980-5814 OR (604)988-4524

TELEX: VIA USA 7601067 UC

Certificate of ASSAY

Company: VOLCANO RESOURCES
Project: VOLCANO
Attention: W JACKSON/D WAUGH

File: 7-1551/P1
Date: OCT 8/87
Type: ROCK ASSAY

We hereby certify the following results for samples submitted.

Sample Number	AG G/TONNE	AG OZ/TON	AU G/TONNE	AU OZ/TON
34069	0.4	0 01	.01	0.001
34070	0 5	0 01	.01	0 001
34071	0 3	0 01	.01	0 001
34072	0 4	0 01	.01	0 001
34073	0.2	0.01	0.2	0 001
34074	0 2	0 01	.01	0 001
34075	0 3	0 01	.05	0 001
34076	0 5	0.01	.07	0 001
34077	0 2	0 01	.02	0 001
34078	0 5	0 01	.01	0.001
34079	0 2	0 01	.01	0.001

Certified by



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705 West 15th Street North Vancouver, B.C. Canada V7M 1T2

PHONE: (604)980-5814 OR (604)988-4524

TELEX: VIA USA 7601067 UC

Analytical Report

Company: VOLCANO RESOURCES
Project: VOLCANO
Attention: D.H. WAUGH

File: 7-1579
Date: OCT 13/87
Type: ROCK ASSAY

Date Samples Received : OCT 9/87
Samples Submitted by : D.WAUGH

Report on Geochem Samples
.....
.....20..... Assay Samples
.....

- Copies sent to:
- 1. W. JACKSON, VANCOUVER, B.C.
 - 2. W.G. TIMMINS, ONT.
 - 3. D. WAUGH, DAWSON CITY, YU.FON

Samples: Sieved to mesh Ground to mesh-100.....

Prepared samples stored:X.... discarded:.....
rejects stored:X.... discarded:.....

Methods of analysis: AU-FIRE; AG-ACID DIGESTION CHEMICAL ANALYSIS

Remarks

MIN-EN LABORATORIES LTD.

Specialists in Mineral Environments

705 West 15th Street North Vancouver, B C Canada V7M 1T2

PHONE (604)980-5814 DR (604)988-4524

TELEX VIA USA 7601067 UC

Certificate of ASSAY

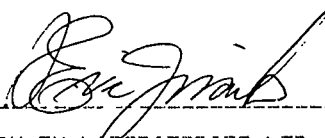
Company VOLCANO RES
Project VOLCANO
Attention D H. WAUGH

File: 7-1579/P1
Date: OCT 17/87
Type: ROCK ASSAY

We hereby certify the following results for samples submitted

Sample Number	AG G/TONNE	AG OZ/TON	AU G/TONNE	AU OZ/TON
56 029	5	0 01	19	0 006
56 030	2	0 01	07	0 001
56 031	3	0 01	.04	0 001
56 032	4	0 01	.08	0 002
56 033	2	0 01	.02	0 001
56 034	2	0 01	06	0 002
56 035	3	0 01	03	0 001
56 0 6	2	0 01	.09	0 003
56 027	2	0 01	01	0 001
56 038	4	0.01	05	0.001
56 039	.2	0 01	03	0 001
56 040	.2	0 01	07	0 001
56 041	3	0.01	01	0 001
56 042	2	0 01	01	0 001
56 043	2	0 01	05	0 001
56 044	2	0 01	01	0 001
56 045	2	0 01	02	0 001
56 046	3	0 01	01	0 001
56 047	2	0 01	01	0 001
56 048	4	0 01	.04	0 001

Certified by



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705 West 15th Street North Vancouver, B.C. Canada V7M 1T2

PHONE: (604)980-5814 OR (604)988-4524

TELEX: VIA USA 7601067 UC

Analytical Report

Company: VOLCANO RESOURCES
Project: VOLCANO
Attention: B. JACKSON/D. WAUGH

File: 7-1560
Date: OCT 16/87
Type: ROCK ASSAY

Date Samples Received : OCT 8/87
Samples Submitted by : D. WAUGH

Report on Geochem Samples
.....
..... 20 Assay Samples
.....

- Copies sent to:
- 1. VOLCANO RESOURCES, VANCOUVER, B.C.
 - 2. VOLCANO RESOURCES, DAWSON CITY, YUKON.
 - 3.

Samples: Sieved to mesh Ground to mesh -150.....

Prepared samples stored: X discarded:
rejects stored: X discarded:

- Methods of analysis:
- AG FE - ACID DIGESTION-CHEMICAL ANALYSIS.
 - AU - FIRE ASSAY.
 - HG - FLAMELESS AA.
 - SB - AQUA REGIA A.A.

Remarks

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705 West 15th Street North Vancouver, B.C. Canada V7M 1T2

PHONE (604)980-5814 OR (604)988-4524

TELEX VIA USA 7601067 UC

Certificate of ASSAY

Company VOLCANO RESOURCES
 Project VOLCANO
 Attention B JACKSON/D WAUGH

File: 7-1560/F1
 Date OCT 16/87
 Type ROCK ASSAY

We hereby certify the following results for samples submitted

Sample Number	AG G/TONNE	AG OZ/TON	AU G/TONNE	AU OZ/TON	FE /	HG FFB	AS /	SB /
74 251	0.3	0.01	0.2	0.001	5.40	35	0.1	0.1
74 252	0.4	0.01	0.1	0.001	17.25	85	0.1	0.1
74 080	0.1	0.01	0.1	0.001				
74 081	0.1	0.01	0.1	0.001				
74 082	0.1	0.01	0.1	0.001				
74 083	0.1	0.01	0.3	0.001				
74 084	0.2	0.01	0.2	0.001				
74 085	0.1	0.01	0.1	0.001				
74 086	0.2	0.01	0.2	0.001				
74 087	0.1	0.01	0.1	0.001				
74 088	0.4	0.01	0.8	0.002				
74 089	0.1	0.01	0.2	0.001				
74 090	0.6	0.02	0.1	0.001				
74 091	0.2	0.01	0.4	0.001				
74 092	0.3	0.01	0.1	0.001				
74 093	0.1	0.01	0.1	0.001				
74 094	0.4	0.01	0.2	0.001				
74 095	0.2	0.01	0.1	0.001				
74 096	0.2	0.01	0.1	0.001				
74 097	0.5	0.01	0.1	0.001				
74 098	0.1	0.01	0.5	0.001				
74 099	0.3	0.01	0.1	0.001				
74 100	0.2	0.01	0.1	0.001				

Certified by _____

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705 West 15th Street North Vancouver, B.C. Canada V7M 1T2

PHONE: (604) 980-5814 OR (604) 988-4524

TELEX: VIA USA 7601067 UC

Analytical Report

Company: VOLCANO RESOURCES
Project: VOLCANO
Attention: B. JACKSON/D. WAUGH

File: 7-1617
Date: OCT 16/87
Type: ROCK ASSAY

Date Samples Received : OCT 14/87
Samples Submitted by : D. WAUGH

Report on Geochem Samples
.....
..... B Assay Samples
.....

Copies sent to:

- 1. VOLCANO RESOURCES, VANCOUVER, B.C.
- 2. VOLCANO RESOURCES, DAWSON CITY, YUKON.
- 3.

Samples: Sieved to mesh Ground to mesh-150....

Prepared samples stored:X..... discarded:.....
rejects stored:X..... discarded:.....

Methods of analysis:

- AG - ACID DIGESTION-CHEMICAL ANALYSIS.
- AU - FIRE ASSAY.

Remarks

MIN-EN LABORATORIES LTD.

Specialists in Mineral Environments

705 West 15th Street North Vancouver, B.C. Canada V7M 1T2

PHONE (604)980-5814 OR (604)988-4524

TELEX VIA USA 7601067 UC

Certificate of ASSAY

Company VOLCANO RESOURCES
Project VOLCANO
Attention: B. JACKSON/D. WAUGH

File: 7-1617/P1
Date: OCT 16/87
Type: ROCK ASSAY

We hereby certify the following results for samples submitted

Sample Number	AG G/TONNE	AG OZ/TON	AU G/TONNE	AU OZ/TON
74101			.01	0.001
74102			.01	0.001
74107			.01	0.001
74253			.02	0.001
34274			.01	0.001
34255	1.9	0.06	.02	0.001
34256	0.4	0.01	.01	0.001
74257	0.8	0.02	.01	0.001

Certified by



MIN-EN LABORATORIES LTD

APPENDIX IV



Economic Development
 Mines & Small Business
 Box 2703, Whitehorse, Yukon Y1A 2C6
 (403) 667-5811 Telex 036-8-260

EXPLORATION INCENTIVES PROGRAM

FORM 2 - APPLICATION FOR PAYMENT

DESIGNATION NUMBER EIP 87-020

1. NAME VOLCANO RESOURCES CORP.

3. MAILING ADDRESS 502-595 Howe Street, Vancouver

Province B.C. Postal Code V6C 2T5

3. TELEPHONE (604) 682-5281

4. HEAD OFFICE ADDRESS (as above)

Province _____ Postal Code _____

5. PRINCIPAL BUSINESS ACTIVITY Mineral exploration

6. IF A CORPORATION - List names of all persons or corporations who own 10% or more of your outstanding shares (if insufficient space attach separate sheet)

<u>Name</u>	<u>No. of Shares</u>	<u>% of total</u>
<u>W. Jackson</u>	<u>325,000</u>	<u>17%</u>
<u>G. Lyman</u>	<u>325,000</u>	<u>17%</u>
_____	_____	_____
_____	_____	_____

7. MINERAL INCOME Do you expect to have any income from mineral production (prior to deduction of exploration expenses) during the year for which this application is made? (Yes/No) No If yes, state how much \$ _____

8. SOURCES OF FUNDING (attach copies of agreements and proof of funding)

Public offering of 600,000 Common Shares @ \$0.55 per share less \$0.0825
commission per share for a net proceeds of \$0.4675 per share or \$280,500.00. This
offering was completed on or about September 4, 1987.

9. EXPENDITURES (N.B. Please provide actual all-inclusive costs, including salaries & wages, equipment and machinery rental, supplies, services, transportation and accommodation directly attributable to the field program. All costs must be supported by original copy of all receipts).

(a) For the following the full cost (100% of expenditures) are eligible:

Preliminary Evaluation _____ days @ \$ _____ / day = \$ _____

Prospecting _____ days @ \$ _____ / day = \$ _____

Linecutting, chaining, picketting _____ km @ \$ _____ / km = \$ _____

Geological Surveys _____ days @ \$ _____ / day = \$ _____

Geochemical Surveys _____ days @ \$ _____ / day = \$ _____

Sample analysis _____ soil samples @ \$ _____ / sample = \$ _____

_____ silt samples @ \$ _____ / sample = \$ _____

_____ rock geochem samples @ \$ _____ / sample = \$ _____

Other (specify) _____ = \$ _____

Geophysical Surveys

Method _____ km @ \$ _____ / km = \$ _____

_____ km @ \$ _____ / km = \$ _____

_____ km @ \$ _____ / km = \$ _____

Stripping, Trenching _____ m³ @ \$ _____ / m³ = \$ _____

Surface drilling

Type Diamond drilling - NQ 464 m @ \$ 376.85 / m = \$ 174,860.82

_____ m @ \$ _____ / m = \$ _____

_____ m @ \$ _____ / m = \$ _____

Dewatering and rehabilitation old underground workings

_____ days @ \$ _____ / day = \$ _____

Underground drilling

Type _____ m @ \$ _____ / m = \$ _____

_____ m @ \$ _____ / m = \$ _____

Sampling costs _____ = \$ _____
 _____ = \$ _____

Assays, petrographic analyses, X-ray analyses etc.

Type Gold/silver assays No. 90 @ \$ 21.35 /sample = \$ 1,921.50
 _____ No. _____ @ \$ _____ /sample = \$ _____
 _____ No. _____ @ \$ _____ /sample = \$ _____

Metallurgical or process studies (specify) _____
 _____ = \$ _____
 _____ = \$ _____

Other costs (specify) _____ = \$ _____
 _____ = \$ _____
 _____ = \$ _____

(b) For the following activities only 25% of total costs are eligible:

On-property construction costs

Access roads _____ km @ \$ _____ / km = \$ _____ x 25% = \$ _____
 Camps _____ \$ _____ x 25% = \$ _____
 Other (specify) _____ \$ _____ x 25% = \$ _____
 _____ \$ _____ x 25% = \$ _____

Shaft sinking, drifting, raising etc. required for underground drilling and sampling

Shaft sinking _____ m @ \$ _____ / m = \$ _____ x 25% = \$ _____
 Drifting _____ m @ \$ _____ / m = \$ _____ x 25% = \$ _____
 Raising _____ m @ \$ _____ / m = \$ _____ x 25% = \$ _____

TOTAL \$ 176,782.32

SUPPLEMENTARY INFORMATION The following information is required in order to help us determine the contribution which mineral exploration activity makes to the Yukon economy, and relates to the utilization of Yukon vs outside labour and services. Only figures directly attributable to the field program should be included (approximate figures acceptable, but please be as accurate as possible).

(a) Employment, wages & salaries

<u>Type</u>	<u>Number employed</u>		<u>No. Person-days</u>		<u>Salaries/wages paid</u>	
	<u>Yukon</u>	<u>Outside</u>	<u>Yukon</u>	<u>Outside</u>	<u>Yukon</u>	<u>Outside</u>
Prospectors	_____	_____	_____	_____	\$ _____	\$ _____
Linecutters	_____	_____	_____	_____	\$ _____	\$ _____
Technicians	_____	_____	_____	_____	\$ _____	\$ _____
General labourers	<u>3</u>	_____	<u>38</u>	_____	<u>\$ 4,500.00</u>	\$ _____
Drillers/helpers	_____	_____	_____	_____	\$ _____	\$ _____
Equip. operators	_____	_____	_____	_____	\$ _____	\$ _____
Geologists	<u>3</u>	_____	<u>38</u>	_____	<u>\$ 7,775.00</u>	\$ _____
Geophysicists	_____	_____	_____	_____	\$ _____	\$ _____
Geochemists	_____	_____	_____	_____	\$ _____	\$ _____
Engineers	_____	_____	_____	_____	\$ _____	\$ _____
Supervisory	_____	_____	_____	_____	\$ _____	\$ _____
Consulting	(see "Services")	_____	_____	_____	\$ _____	\$ _____
Secretarial	(see "Services")	_____	_____	_____	\$ _____	\$ _____
Managerial *	<u>1</u>	_____	<u>69</u>	_____	<u>\$ 20,700.00</u>	\$ _____
Legal	_____	_____	_____	_____	\$ _____	\$ _____
Accounting	_____	_____	_____	_____	\$ _____	\$ _____
Others (specify) 1 <u>Camp Cook</u>	_____	_____	<u>30</u>	_____	<u>\$ 3,750.00</u>	\$ _____
Others (specify)	_____	_____	_____	_____	\$ _____	\$ _____
TOTALS	<u>8</u>	_____	<u>175</u>	_____	<u>\$ 36,725.00</u>	\$ _____

*Managerial/Supervisory/Accounting/Geologist

(b) Goods & Services

<u>Description</u>	<u>Expenditure</u>	
	<u>Yukon</u>	<u>Outside</u>
Meals, Groceries etc.	\$ <u>6,010.66</u>	\$ <u>271.45</u>
Camping Supplies, Equipment etc.	\$ <u>3,342.14</u>	\$ _____
Accommodation	\$ <u>1,982.00</u>	\$ <u>302.40</u>
Transportation - Scheduled Air	\$ <u>632.00</u>	\$ <u>3,658.70</u>
Air Charter	\$ <u>3,339.00</u>	\$ _____
Vehicle Rentals	\$ <u>10,304.65</u>	\$ _____
Vehicle O & M costs	\$ <u>3,665.65</u>	\$ _____
Other (specify) <u>Air and highway freight,</u> taxis	\$ <u>973.50</u>	\$ <u>30.00</u>
Equipment Rentals Trenching etc. Bulldozer D7E	\$ <u>27,770.50</u>	\$ _____
Geophysical etc.	\$ _____	\$ _____
Other (specify) <u>Equipment repairs</u>	\$ <u>246.00</u>	\$ _____
Other (specify) <u>Camp rental equipment</u>	\$ <u>4,800.00</u>	\$ _____
Contract Drilling	\$ <u>67,080.90</u>	\$ _____
Consultant Services	\$ _____	\$ <u>1,200.00</u>
Assays and analyses	\$ <u>1,921.50</u>	\$ _____
Communications	\$ <u>1,139.49</u>	\$ <u>16.66</u>
Other (specify) <u>Report drafting, reproduction, secretarial,</u> misc.	\$ <u>923.17</u>	\$ <u>51.95</u>
Other (specify) <u>Expediting</u>	\$ <u>395.00</u>	\$ _____

10. DECLARATION. I hereby apply for a contribution for a designated exploration project under the Yukon Exploration Incentives Program, and declare the information given above to be true and accurate.

Name David H. Waugh Signature David Waugh Date Dec. 17, 1987

PROSPECTUS SUMMARY

The following is a summary only and reference is made to the more detailed information appearing elsewhere in this Prospectus

THE ISSUER

Name VOLCANO RESOURCES CORP

Description of Business The Issuer is a natural resource company engaged in the acquisition, exploration and development of mineral properties. The Issuer owns or has an interest in the properties described under the heading "Properties" and intends to seek and acquire additional properties worthy of exploration and development.

Pursuant to an Agreement dated December 5, 1986 the Issuer acquired an option of an undivided 70% interest in 36 mineral claims located in the Dawson Mining District of the Yukon.

Under the terms of the Agreement the Issuer is required to pay \$5,000 cash and a further \$2,000,000 (\$83,000 of which has been paid to date) for exploration work on the property and to issue 200,000 common shares of the Issuer.

There is no known reserves of ore on the property.

See "Description of Business and Property" for complete details.

THE OFFERING

Issue 600,000 Common Shares

Price \$0.55 per share

Commission \$0.0825 per share

Agent's Warrants In consideration of the Agent agreeing to purchase any shares not sold at the conclusion of the Offering, the Agent has been granted non-transferable share purchase warrants entitling it to purchase up to 150,000 shares of the Issuer at any time up to the earlier of the close of business 180 days from listing of the Issuer's shares on the Vancouver Stock Exchange or 12 months from the date of this Prospectus at a price of \$0.60 per share.

Use of Proceeds The aggregate of the estimated net proceeds after deducting expenses of the Offering will be \$260,500. That sum will be used to complete Phase I of the work program recommended by Thomas R. Tough P. Eng. in his report dated February 28, 1987 and \$114,400 will be applied as a reserve for Phase II of the work program upon completion of Phase I. The remainder will be used for general corporate purposes.

RISK FACTORS An investment in the shares is speculative and subject to certain risks. There is no known body of ore on the Issuer's mineral property. There is no established market for the shares of the Issuer.

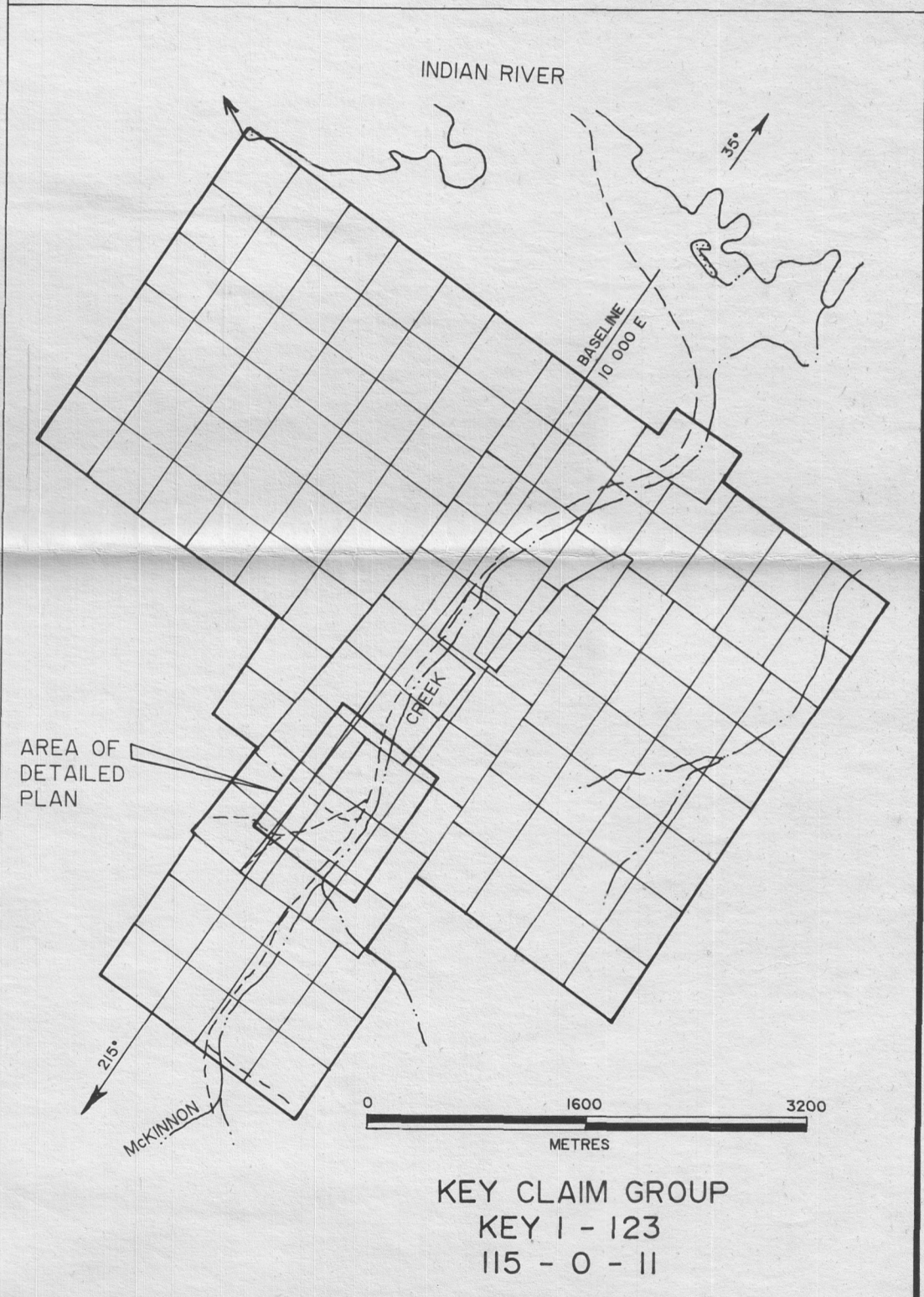
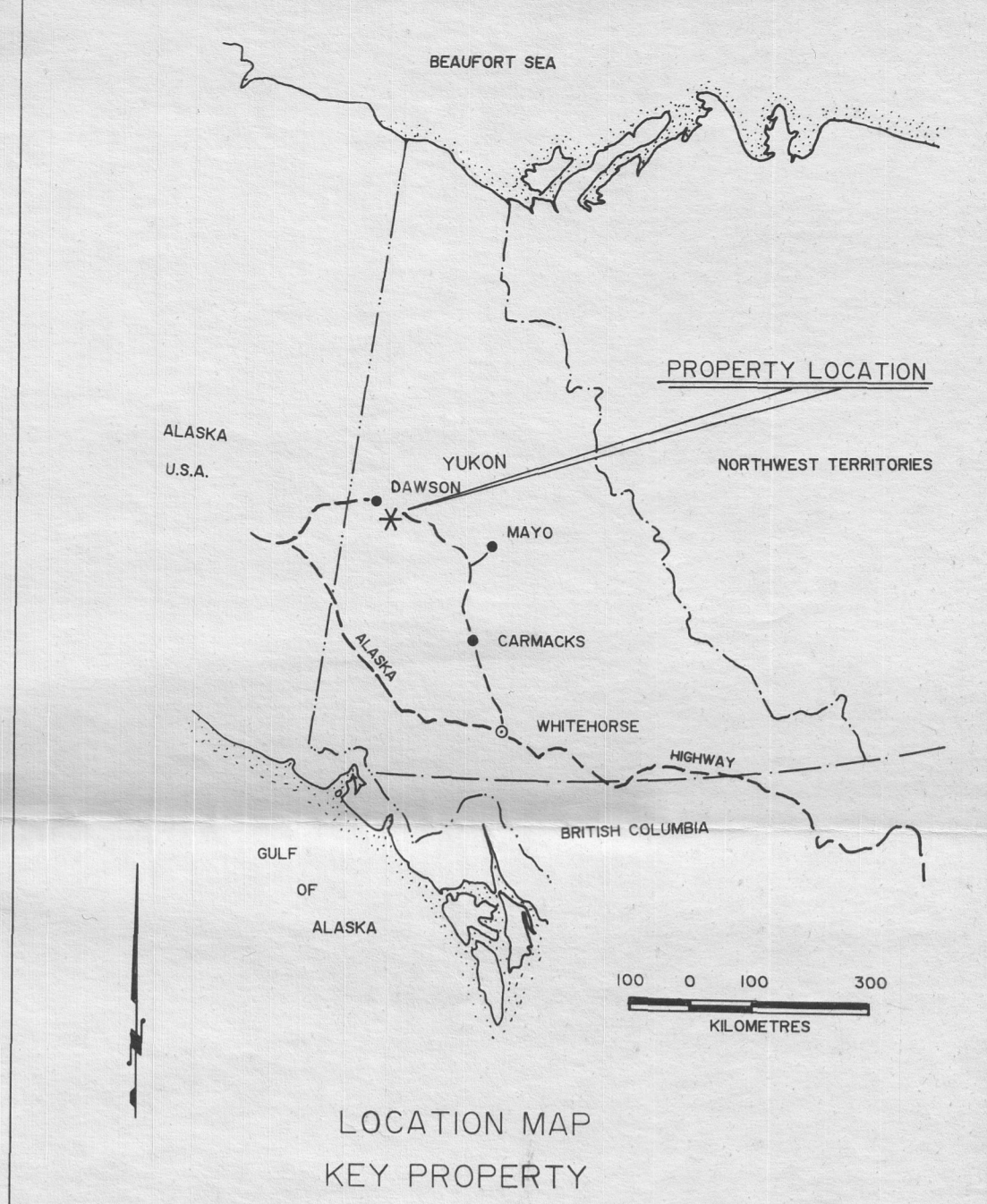
The mining industry in general, is intensely competitive and there is no assurance that even if commercial quantities of ore are discovered, a ready market will exist for sale of same.

See "Risk Factors" for complete details of risks involved.

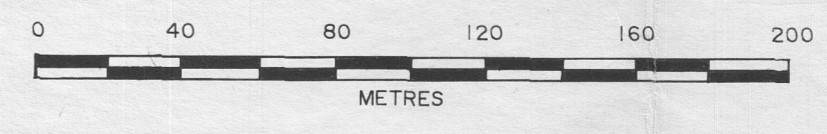
FINANCIAL RESULTS As the Issuer has only been in business for a short period of time no meaningful comment may be made on financial results to date.

DIVIDENDS The Issuer has not paid any dividends to date and has no present intention to pay a dividend.

See "Dividend Record"



- LEGEND**
- VOLC. PALEOCENE AND UPPER CRETACEOUS Carmacks Group - Haystack Andesite : andesite and minor dacite, porphyritic, light to dark green, weathering, light green - brown.
 - CONG sandstone LOWER CRETACEOUS Indian River Formation : interbedded sandstone, shales, conglomerate and minor coal, light grey - black
 - FAULT
 - APPROXIMATE GEOLOGICAL CONTACT
 - DIAMOND DRILL SITE, ROTARY DRILL SITE
 - CAT TRENCH
 - HAND TRENCH, PITS
 - SHAFT
 - ADIT
 - OUTCROP, FLOAT, STRIKE, DIP, CLAIMPOST, CLAIM BOUNDARY
 - 4 x 4 ROAD
 - WINTER ROAD, CAT TRAIL
 - OLD CAT TRAIL
 - STREAM
 - 2000 CONTOUR, 25 FOOT INTERVAL
 - 1987 BULLDOZED GRID LINE
 - 1987 DRILL CORE STORAGE



VOLCANO RESOURCES CORP.

McKINNON CREEK KEY PROPERTY

McKINNON CREEK, INDIAN RIVER AREA
DAWSON MINING DISTRICT, YUKON

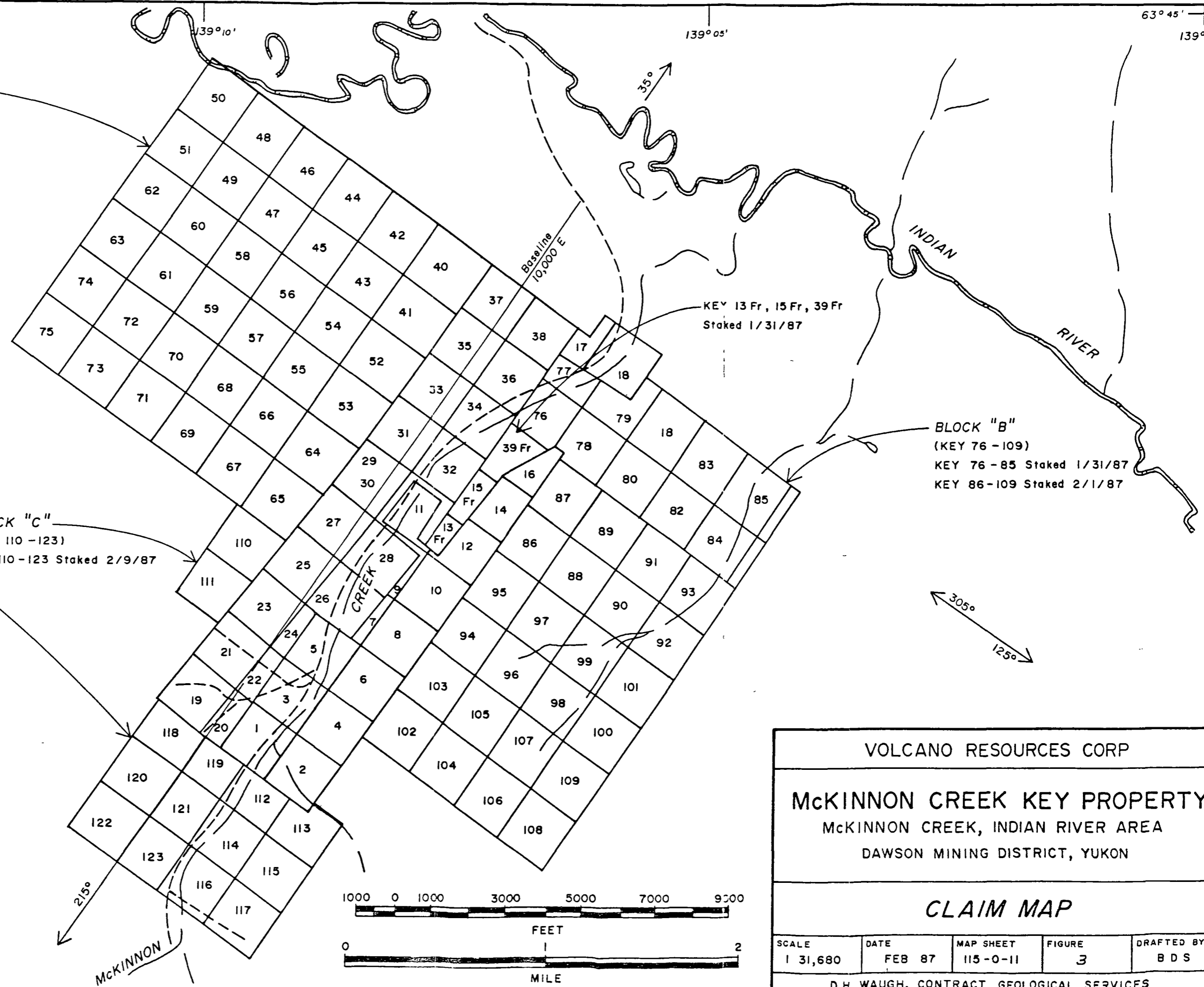
DETAILED PLAN

SCALE : 1 : 2000	DATE : OCT '87	MAP SHEET : 115 - 0 - 11	FIGURE : 5	DRAFTED BY : B.B.
D.H. WAUGH CONTRACT GEOLOGICAL SERVICES				

M/TECHNICALS LTD.

63° 45' 139° 00'

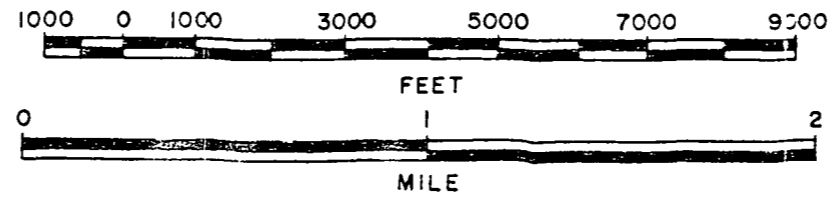
BLOCK "A"
(KEY 40-75)
KEY 40-43 Staked 1/28/87
KEY 44-51 Staked 1/29/87
KEY 52-63 Staked 1/30/87
KEY 64-75 Staked 1/31/87



KEY 13 Fr, 15 Fr, 39 Fr
Staked 1/31/87

BLOCK "B"
(KEY 76-109)
KEY 76-85 Staked 1/31/87
KEY 86-109 Staked 2/1/87

BLOCK "C"
(KEY 110-123)
KEY 110-123 Staked 2/9/87



VOLCANO RESOURCES CORP				
MCKINNON CREEK KEY PROPERTY				
MCKINNON CREEK, INDIAN RIVER AREA				
DAWSON MINING DISTRICT, YUKON				
CLAIM MAP				
SCALE	DATE	MAP SHEET	FIGURE	DRAFTED BY
1 31,680	FEB 87	115-0-11	3	BDS
D H WAUGH, CONTRACT GEOLOGICAL SERVICES				

HISTORY

The Indian River-McKinnon Creek conglomerates were first discovered and staked for gold by the MacKinnon brothers, Donald and Archibald, in 1899. They held and worked their prospect, covered by the Britannia and Andromeda claims, for the ensuing twenty-odd years, exploring for gold in the conglomerates by trenching, sinking shafts and driving adits. A small mill was erected on the Britannia claim, and several small shipments of 'ore' were sent to outside mills for testing. In 1902, a government millrun of two tons averaged \$2.24 per ton at \$20.00 per ounce/gold. In the Dawson Daily News article dated March 3, 1919, a Mr. Chris Fothergill reported on the Indian River conglomerate deposits, quoting values from a number of assay reports ranging from trace to a high of 48 ounces of gold per ton, with the average tenor being about 0.35 ounces/ton. At the peak of activity, over 3,000 claims were staked to cover the conglomerates.

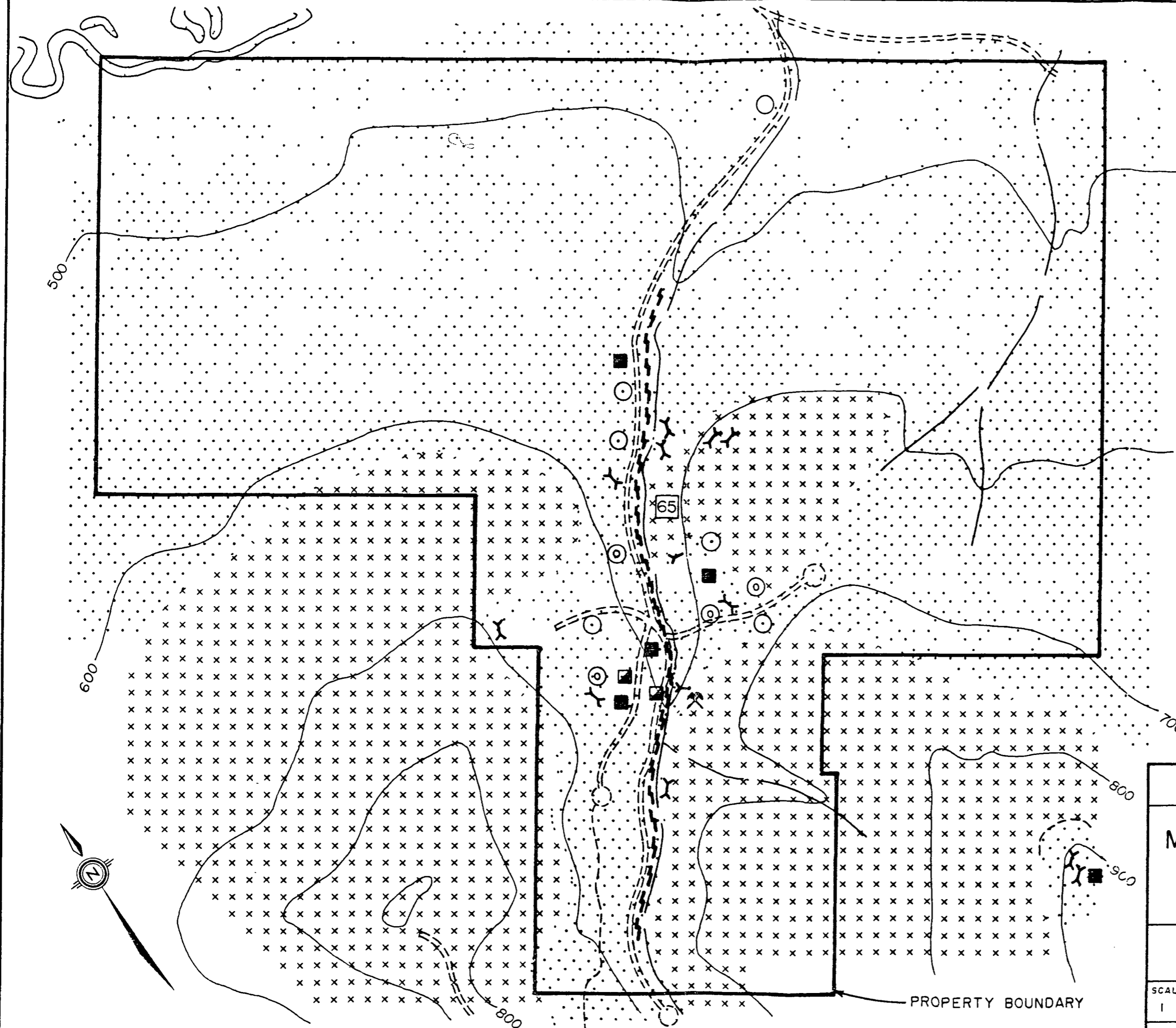
During the 1930's and 1940's, attempts to raise money to test the conglomerates failed. In 1968, Cominco held the MacKinnon prospect and conducted limited mapping and surface sampling; they reported values ranging from trace to 0.10 ounces per ton gold.

Yukon Revenue Mines reported assay results from grab samples taken in 1974 that ranged from trace to 0.07 ounces per ton. In 1975 three Becker drill holes (percussion) were put down on the KIN claims. No samples were taken for assay, thus leaving the results of this work inconclusive. Cyprus Anvil Mines drilled three NQ size holes on a coal permit that covered the KIN claims held by Yukon Revenue. This drilling intersected one four-foot coal seam and 34 meters of conglomerate. The coal was of poor quality and the conglomerate was not analyzed. The locations of the 1975 percussion holes and 1980 diamond drill holes are shown on Figures 4 and 5 of this report.





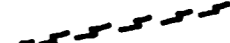






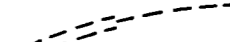

GEOLOGY

The dominant rock type of the prospect, and the only one from which gold values were reported, is a clast-supported, upward-finning conglomerate horizon in a clastic sequence which exceeds 500 meters in thickness.

Prior to Bostock's work, McConnell (1905) and MacLean (1914) had examined the auriferous conglomerates in the Indian River area. The KEY claims are located within the area mapped by H. S. Bostock between 1935 and 1937, published in 1942 as Map 711A, Ogilvie. Bostock describes the area as underlain by Precambrian gneiss, schist, quartzite, slate and limestone of the Yukon Group along with gneissic granite and ultrabasic units. Both younger clastics (conglomerate, sandstone, shale and coal) and volcanics (andesite, dacite, rhyolite, tuff and agglomerate) overlie the Precambrian units.



LEGEND

-  **RECENT**
Unconsolidated alluvial deposits
-  **PALEOCENE AND UPPER CRETACEOUS**
Carmacks Group - Haystack Andesite
andesite and minor dacite, porphyritic, light-
to dark-green, weathering light-green-brown
-  **LOWER CRETACEOUS**
Indian River Formation interbedded sandstone,
shale, conglomerate and minor coal, light-grey
to black, weathering light-grey
-  Geologic boundary (approximate, assumed)
-  Fault (assumed)
-  Mine (Gold Mine)
-  Diamond drill hole, Rotary drill hole
-  Shaft
-  Adit
-  Trench
-  Building
-  Trail (bulldozer, foot)
-  Radiometric age (millions of years)



FIELD WORK BY G W LOWEY, 1981, 1983

VOLCANO RESOURCES CORP

McKINNON CREEK KEY PROPERTY
McKINNON CREEK, INDIAN RIVER AREA
DAWSON MINING DISTRICT, YUKON

GEOLOGY MAP

SCALE 1:25,000	DATE FEB 87	MAP SHEET 115-0-11	FIGURE 4	DRAFTED BY B D S
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D H WAUGH, CONTRACT GEOLOGICAL SERVICES

Mr. G. W. Lowey, as part of a Doctorate thesis requirement, studied the stratigraphy and sedimentology of the siliciclastic rocks of the Indian River-McKinnon Creek area and published his findings in June 1984. Lowey describes the Indian River Formation as an interbedded sandstone, shale, conglomerate unit with minor coal.

The unit is light grey to dark grey-green and black and poorly indurated. Data presented by Lowey demonstrates that these rocks are Lower Cretaceous (Albian) in age and of fluvial and fan-delta origin rather than just fluvial as reported by Bostock (1942).

Along McKinnon Creek, the conglomerates have been tested over the years by numerous pits and trenches and by at least three adits and four shafts. All but one adit on the old Britannia claim, now covered by KEY 3, are presently inaccessible. One shaft, the Winchester, also located on KEY 3, remained in volcanic rocks for its reported 50-foot length. Gold values were reported from three locations: the Britannia, the Arctic and the Andromeda workings.

Seven widely-spaced diamond drill holes and three percussion holes were drilled on the property in the mid-seventies and in 1980 by Dome Exploration, Yukon Revenue and Cyprus Anvil (coal exploration). The four Dome holes failed to intersect gold in economic concentrations; the three Yukon Revenue holes (percussion) were panned but not assayed, and the three Cyprus Anvil holes were logged and tested for coal only. See Figure 4 and Figure 5 for drill hole locations.

There are two distinct varieties of the Indian River conglomerate; these are described by G. Lowey as part of the Upper Ruby Quartz Member. The Ruby Quartz Member is at least 450 meters thick and coarse-grained clastics are characterized by vein quartz and metamorphic rock fragments. The Ruby Quartz Member is subdivided by Lowey into the McKinnon Conglomerate Bed, which measures roughly 25-30 meters thick; it is characterized by a black, fine-grained graphite matrix. This conglomerate is found on the KEY 5 claim in the vicinity of the Andromeda shaft and adit locations. The White conglomerate unit is light to medium-grey, sandy and siliceous, pebble to cobble gravel, and forms medium to thick massive beds.

MINERALIZATION

The gold in the Indian River-McKinnon Creek area occurs as very fine-grained (silt size) particles, occasionally coarser, and appears to be disseminated throughout the matrix of the conglomerates that are exposed along portions of the Indian River and McKinnon Creek valleys and surrounding slopes. Gold in the conglomerates varies from trace to 0.100 ounces per ton. Visible gold has been found by the writer while cutting samples with a diamond saw. Free gold is apparently associated with increased induration and/or silicification of the conglomerates.

The auriferous conglomerates of McKinnon Creek show both placer and Carlin-type deposit characteristics. The proximity of the felsic to intermediate volcanic intrusives, extensive alteration (silicification, etc.) and fineness of the gold particles point to an epigenetic, epithermal origin for the gold.

It was thought that the concentration of shaft and tunnel work near the McKinnon Creek valley might indicate that gold concentrations, as reportedly found in the Britannia shaft, might also be located adjacent to the McKinnon Creek (fault) lineament and that gold may have been preferentially precipitated in the carbonaceous-rich McKinnon Conglomerate Bed or "Black Conglomerate" since finely disseminated or "invisible" type gold deposits are known to be associated with carbonaceous rock formations. It was also postulated that gold might have been introduced by intrusive fluid action (magmatic origin) or remobilized from the sedimentary units (detrital origin) and precipitated in favourable horizons of the same sedimentary rock sequence.

1987 DRILL PROGRAM

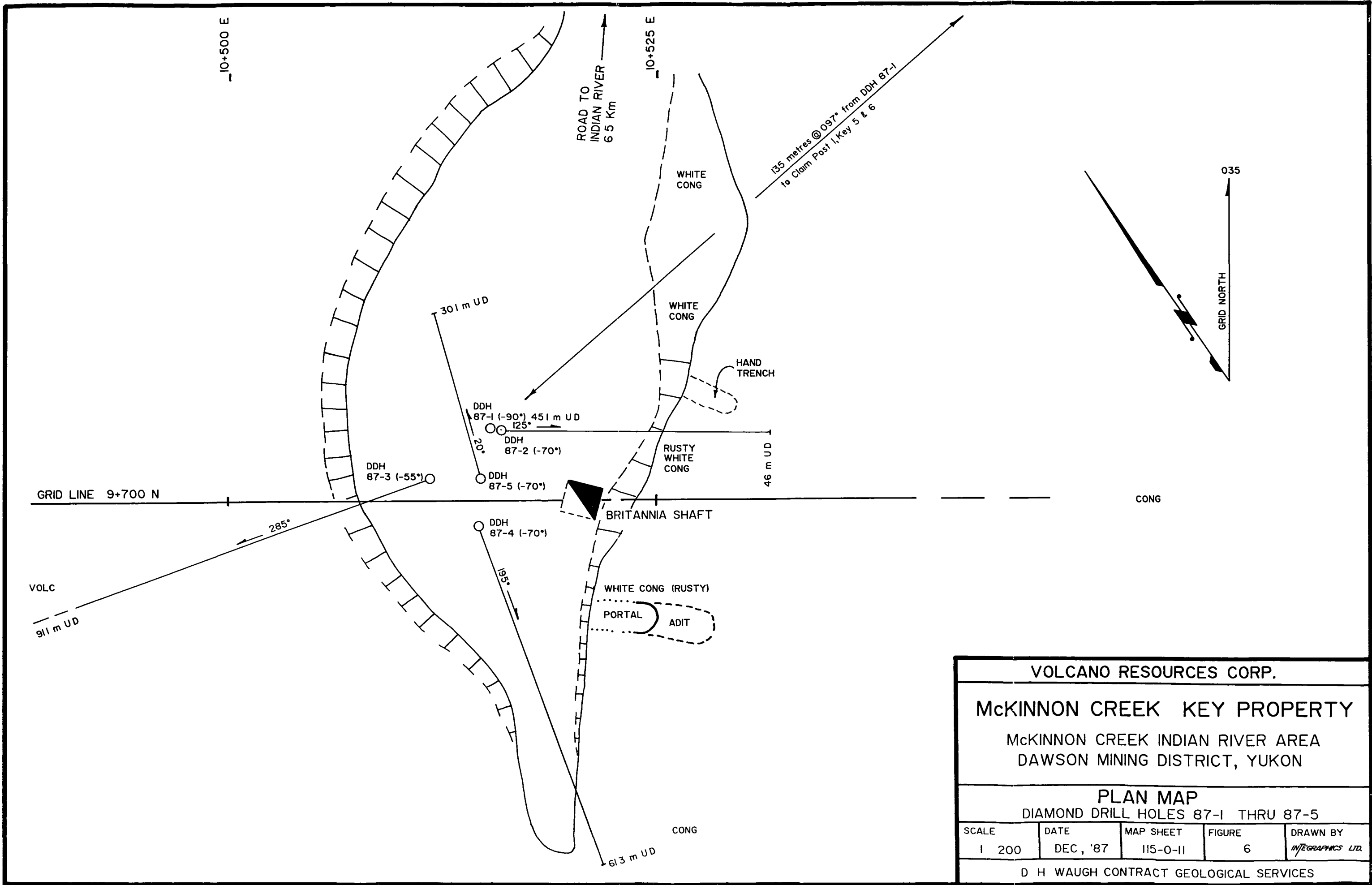
During the period September 5 - October 21, 1987, the drill program on the McKinnon Creek KEY claims was planned, mobilized and completed by Volcano Resources Corp. (under the supervision and management of D. H. Waugh). A total of 1521 feet or 464 meters of NQ core size drilling was completed on nine holes. Five holes were drilled on the KEY 3 claim adjacent to the Britannia shaft and adit; two holes, on the KEY 5 claim, were located in the black conglomerate zone where two old pits are located, and the last two holes were situated in the vicinity of the Andromeda adit on the KEY 5 claim. All nine holes are situated along the east side of and near to McKinnon Creek in permafrozen ground. See figures 5,6, 7 and 8.

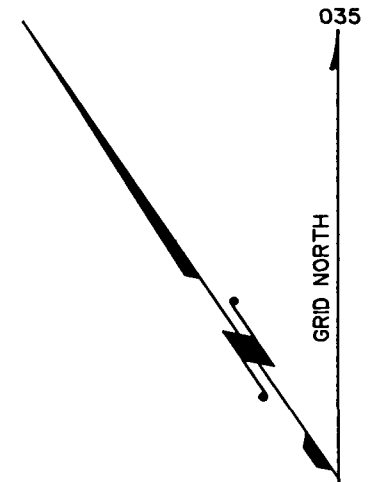
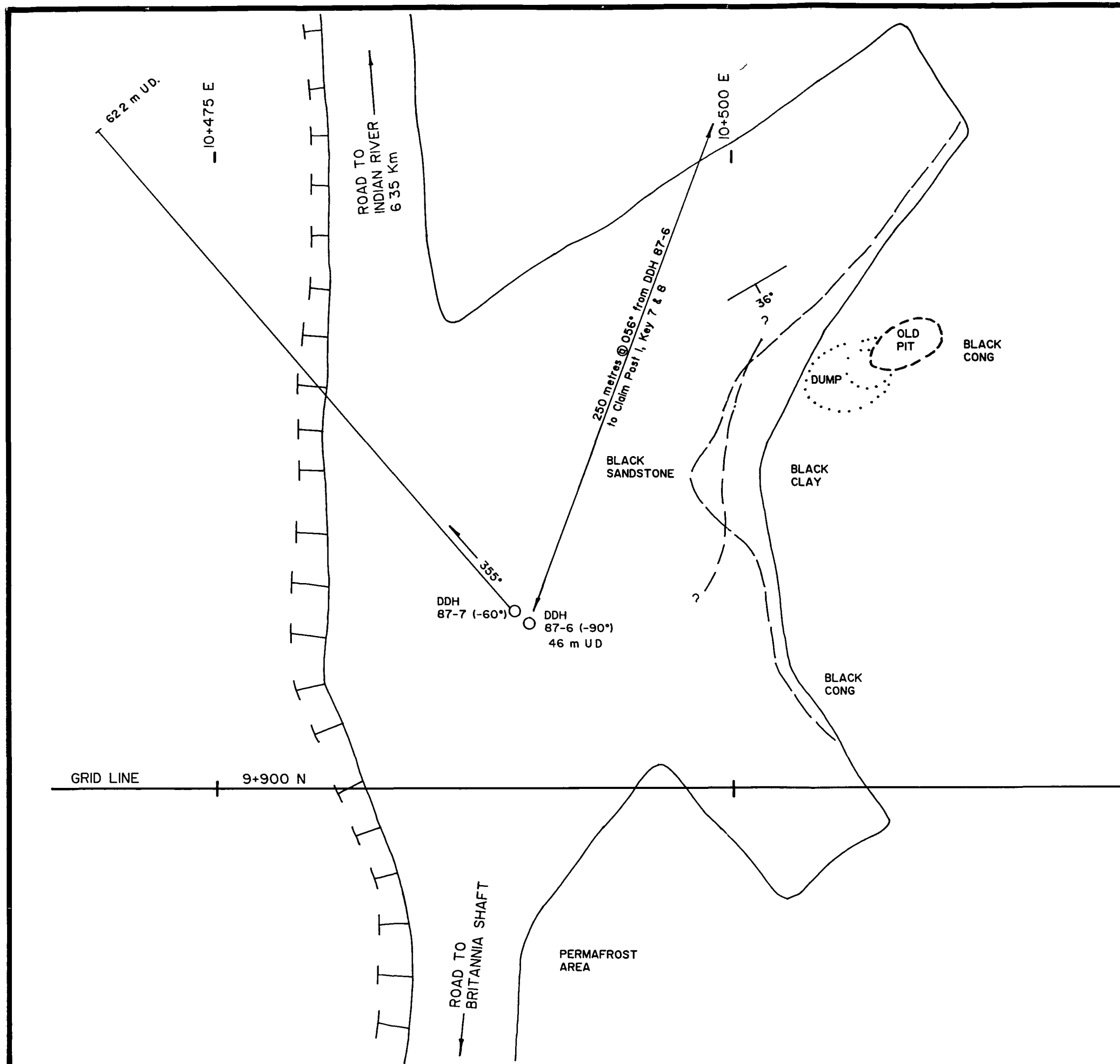
The holes were drilled with a Longyear 38 wireline diamond drill using NQ size equipment. The drilling was contracted to Kluane Drilling Ltd. and was supported by a D7E Cat bulldozer supplied by H. Coyne and Sons of Whitehorse. Mobilization of personnel, some drill equipment and supplies was partly supported by helicopter from Dawson City. In view of the excessively wet and very mild fall weather, mobilization to the first drill site was slow, arduous and expensive. Mobilization from Whitehorse began September 10 and the first drill hole, 87-1, was finally collared on September 22, twelve days later. After many days of having the bulldozer and trucks stuck in the thawed sections of the McKinnon Creek 4x4 trail, extensive upgrading and rerouting of this access road was necessitated before the drill could be moved onto site.

On completion of nine holes, drilling was halted and equipment placed on standby, awaiting assay results. No economic gold or silver values were encountered in the 90 samples assayed by Min-En Laboratories Ltd., 705 West 15th Street, North Vancouver, and the decision to suspend further drilling at the time was made by Volcano Resources Corp; demobilization was subsequently completed on October 21.

Included in this report are four plan maps - three at scales of 1:200 and one at 1:2,000. They show the location of drill holes, geological features, old workings, camp, core storage, topographic features, claim locations, bulldozed trails and grid lines. The 1:200 scale detail maps (figures 6, 7 and 8) include drill hole directions, dips and ultimate depths and the distance and bearings to the nearest claim posts. Drill core is stored at the campsite by McKinnon Creek, in wooden core boxes on well constructed core racks and in the core shack. See the detail plan map, Figure 5, for both camp and core storage locations.

Drill logs, sample descriptions, analytical reports and assay certificates are included in the Appendix to this report.





VOLCANO RESOURCES CORP				
McKINNON CREEK KEY PROPERTY				
McKINNON CREEK INDIAN RIVER AREA DAWSON MINING DISTRICT, YUKON				
PLAN MAP				
DIAMOND DRILL HOLES 87-6 & 87-7				
SCALE	DATE	MAP SHEET	FIGURE	DRAWN BY
1:200	DEC, '87	115-0-11	7	INTEGRAPHICS LTD.
D H WAUGH CONTRACT GEOLOGICAL SERVICES				

