

INTRODUCTORY REPORT ON THE

RAIN CLAIM GROUP

LEFT CLEAR CREEK, YUKON
NTS 115P/16

OWNERS: NELSON HARPER, SCOTTIE THOM

BY: J.C. STEPHEN
J.C. STEPHEN EXPLORATIONS LTD.

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RAIN CLAIM GROUP

INTRODUCTION

During the latter part of 1986 Scottie Thom advised J.C. Stephen that he had located mineralized float on claims on Left Clear Creek which assayed in excess of 100 ounces gold per ton. Three such assays had been obtained but were viewed with some suspicion. Thom forwarded three diamond sawn slabs of massive pyrite mineralization which had been taken from this float mineralization. Stephen did not attempt to re-assay that material.

In June 1987 Nelson Harper, placer operator on Left Clear Creek, encountered heavy sulphide mineralization in the placer channel then being worked. These sulphides flooded the sluice box and prevented continuation of placer mining. At the bottom face of the deep channel then being placer mined two occurrences of apparently strata bound pyrite mineralization were uncovered. This mineralization was similar to the material previously assayed although not as massive in nature.

Stephen examined the showings and reviewed available maps and records on the site on July 4 to 6 1987. Samples were taken which indicated significant gold content in the pyritic beds and, together with the documented occurrence of gold bearing quartz vein stockworks elsewhere on the property, the opinion was formed that this property had the possibilities of being an important prospect and possible gold producer.

Stephen negotiated the outline of an option agreement while on site and has been given permission to:

- (1) represent the owners in negotiating an option agreement subject to their final approval. This agreement has two non-negotiable items
 - (a) an up front \$10,000 cash payment to the vendors;
 - (b) a 3% Net Smelter Return royalty if the property is placed in production.
- (2) include as part of that agreement the provision that J.C. Stephen Explorations Ltd will manage the exploration programs conducted during the first two years under any completed option agreement.

The option does not include or impinge on the placer operation.

There are no finders fees, commissions or property interest payable to J.C. Stephen.

RECENT HISTORY

Placer gold mining and prospecting of silver, gold, antimony, copper, tungsten and tin occurrences has been pursued in this district for many years with added impetus being given on publication of geological maps by Bostock in 1942 and development of improved roads up to the present.

In 1980 - 81 Canada Tungsten Mining Corporation Ltd acquired large blocks of claims in the Dublin Gulch and Clear Creek areas and carried out extensive programs in search of tungsten and, to a much lesser extent, tin and gold. At Dublin Gulch a significant tungsten skarn deposit was outlined by drilling and placer operations were undertaken in conjunction with Queenstake Resources Ltd. On Clear Creek Queenstake re-activated a dredge and has conducted this placer dredge operation up to 1987. On Left Clear Creek Canada Tungsten did extensive mapping and geochemical surveys. Some trenching and sampling was done on tungsten bearing skarns but no work was done to follow up on geochemical gold anomalies. The claims were abandoned and over 100 claims optioned from Scottie Thom were returned. The original claim group has gradually been reduced to the present 24 RAIN claims which are located as several non-contiguous claims covering various mineral showings and anomalies.

The apparently strata bound pyritic gold bearing mineralization found as float in 1986 and as bedrock showings in the placer channel in 1987 are totally new discoveries.

To the southeast, on the opposite side of the Tintina Trench gold mineralization in pyrrhotite at Ketz River is being placed in production. These are reported to be manto deposits. Approximately twenty miles west of Ketz, gold bearing pyrrhotite, arsenopyrite, quartz mineralization on Cominco's TAY-LP claims may be strata bound. No occurrences similar to the Left Clear Creek occurrences are known to this writer.

LOCATION AND ACCESS

Access to the Left Clear Creek placer workings is by way of the Whitehorse - Pelly River - Dawson paved highway, Figure 1. At Barlow Lake the access road to Clear Creek turns off the highway to the north and is maintained by the Yukon Department of Highways as a narrow secondary road for 22 miles to where it reaches Clear Creek. This road climbs up to the top of the ridge in the first few miles and follows the height of land, the descent to Clear Creek is moderately steep with several switchbacks. At Clear Creek the Left Clear Creek road branches sharply to the north and fords the creek. It follows natural gravel bars and piled placer tailings five miles to the Harper placer workings and the RAIN claim group. Figure 1 illustrates the portion of the route from the McQuesten River crossing to the claim group. The total distance from Whitehorse to the property is approximately 300 miles.

Portions of the property can be reached using track vehicles on tractor trails. Hills are generally rounded but at the head of Left Clear Creek, and locally elsewhere, rugged outcrop areas exist. The main placer channel is at about 3000 foot elevation and peaks locally exceed 5000 feet.

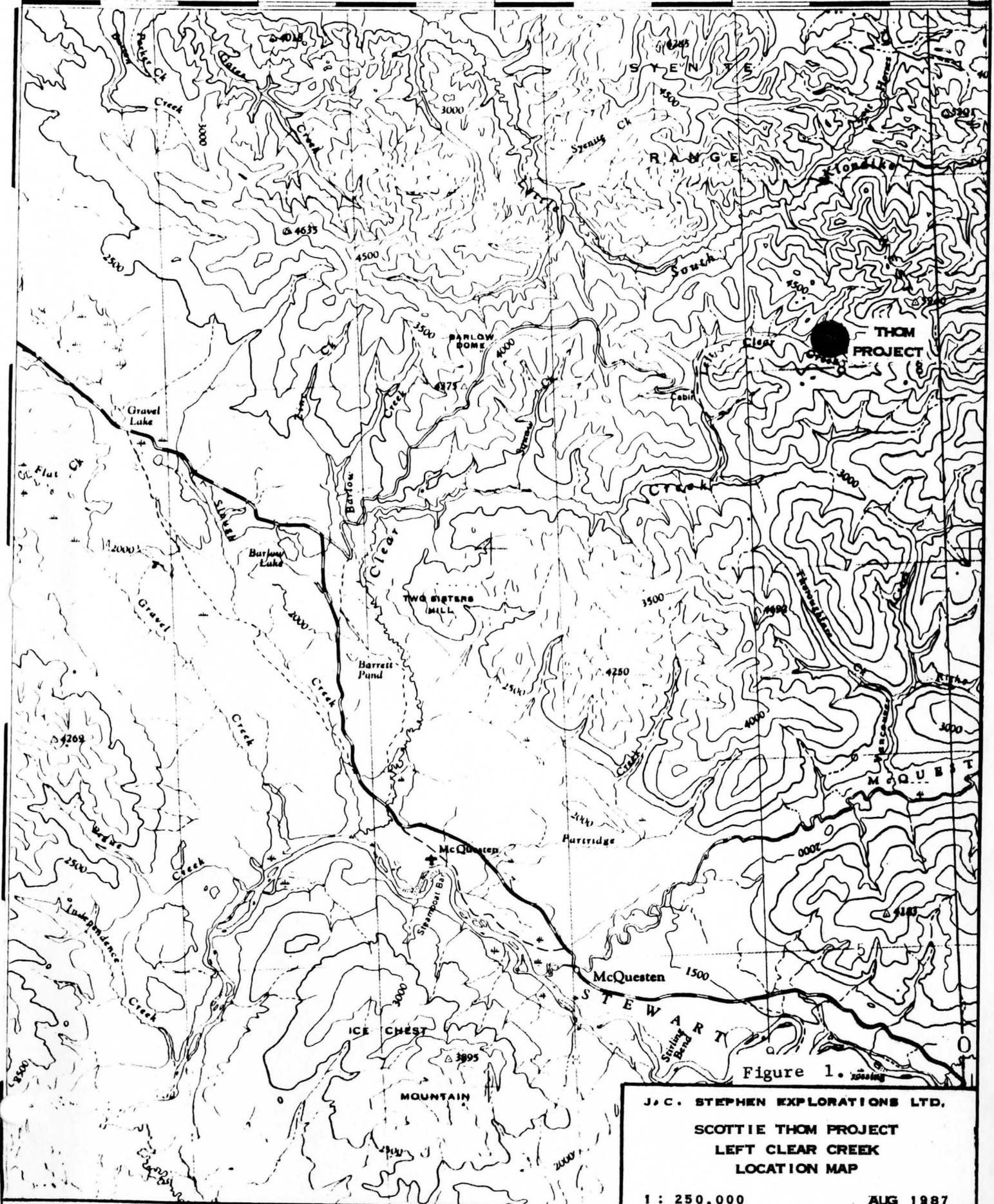


Figure 1.

J.C. STEPHEN EXPLORATIONS LTD.
 SCOTTIE THOM PROJECT
 LEFT CLEAR CREEK
 LOCATION MAP
 1 : 250,000 AUG 1987

REGIONAL GEOLOGY

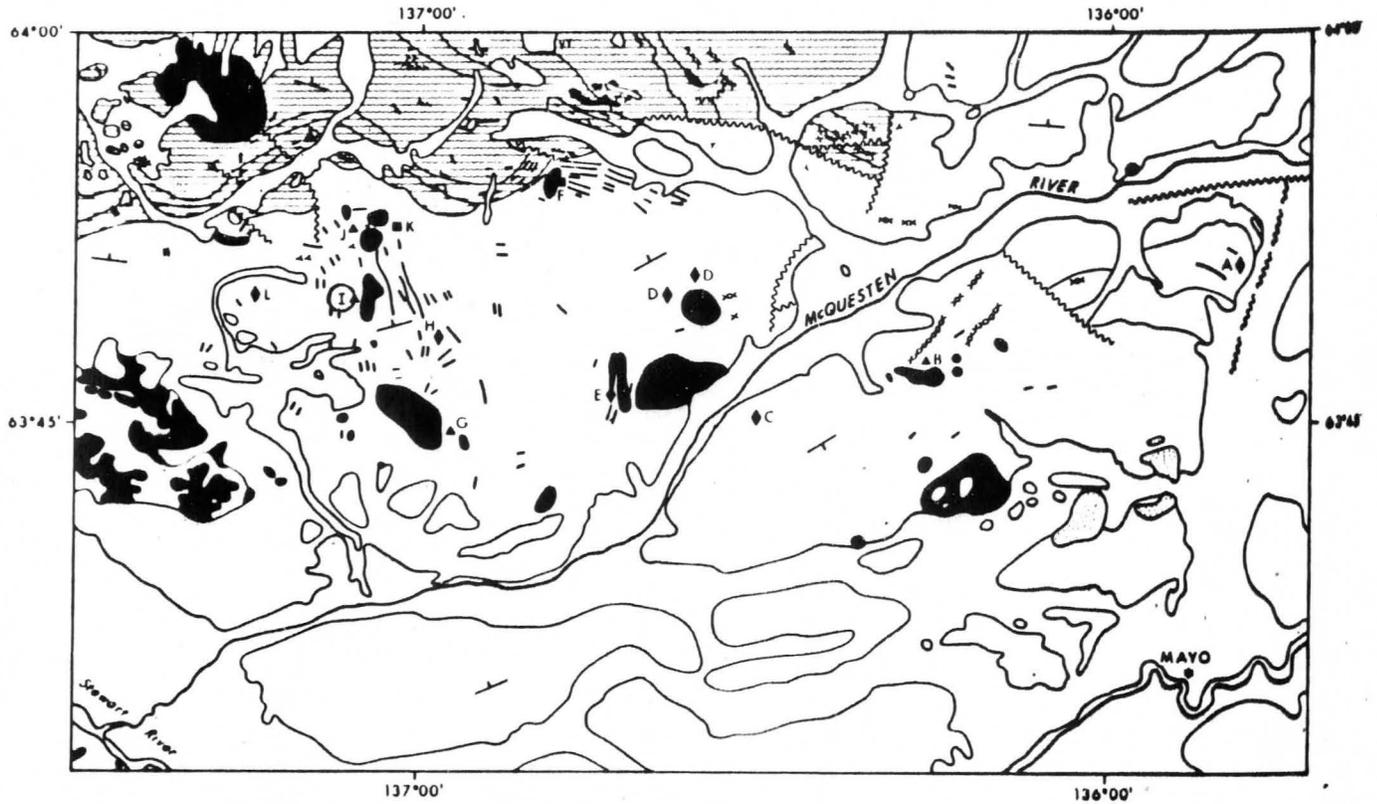
The following brief description and generalized map are taken from "Tin and Tungsten Veins and Skarns in the McQuesten River Area Central Yukon" by D.S. Emond in Yukon Geology Volume 1, 1984.

The McQuesten area is in the northwestern Selwyn Basin and is underlain mainly by Upper Precambrian to Lower Cambrian metasedimentary rocks of the 'Grit Unit' (Fritz et al., 1983) Fig. 2). To the north, these rocks are thrust on to by Ordovician to Devonian Road River Formation sedimentary rocks. Numerous small, high level, acid intrusions and some coeval volcanic rocks, in the southeast part of the area are Cretaceous (83-103 Ma age for granites, K/Ar on biotite, Stevens et al., 1982a; 89 Ma age for volcanic flow rock, K/Ar on biotite, Stevens et al., 1982b).

The Grit Unit is a homogeneous, thick, blocky grey-weathering unit consisting of highly deformed, greenschist facies metamorphosed quartzite quartz-mica schist and phyllite with minor intercalated limestone, dolomite and amphibolite. A large NE-trending anticline, "the McQuesten Anticline" (Mulligan, 1974), traverses through the area, just north of the McQuesten River. Foliation dips shallowly northwest to the north and shallowly southeast to the south of the anticline.

Cretaceous intrusions vary from syenite in the north to granite and quartz monzonite in the south and centre. Most are stocks, plugs and dykes; the latter are locally sheeted. These intrusive rocks are grey to orange-weathering and predominantly feldspar-quartz porphyries. Feldspar phenocrysts are up to 10 cm in length, but more commonly 0.5 to 2 cm. Biotite is the dominant mafic mineral, and commonly makes up 5 to 10% of the rock. Hornblende occurs with biotite in the syenite. Creamy weathering aplite dykes are found in contact zones of many stocks and plugs.

Vertically columnar-jointed, grey-weathering, porphyritic hornblende rhyolite flows located just southeast of Mayo Lake, likely represent a down-faulted remnant of flows coeval with the Cretaceous intrusions.

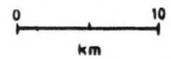


LEGEND

- Quaternary sediments
- Cretaceous felsic volcanic rocks
- Cretaceous felsic intrusive rocks
- Jurassic/Cretaceous gabbro
- Ordovician metasedimentary rocks
- Late Proterozoic/Early Cambrian metasedimentary rocks
- Late Proterozoic/Early Cambrian marble

- foliation
- fault

- mineral occurrence - tin
- mineral occurrence - tungsten
- mineral occurrence - gold/silver



Mineral Occurrences

- A - IOUMBIRA
- B - SCHEELITE DOME
- C - OLIVER CREEK
- D - SUNSHINE CREEK
- E - BOULDER CREEK
- F - MARTIN
- G - LUGDUSH
- H - JABBERWOCK
- I - RHOSGOBEL
- J - PUKELMAN
- K - JOSEPHINE
- L - BARNEY

Figure 2. Geology and mineral occurrence map of the McQuesten River area.

PROPERTY GEOLOGY

ROCK UNITS

Along the road from the Dawson highway to Clear Creek extensive quartzite outcrops occur, occasionally with masses of white bull quartz. On the down grade to Clear Creek occurrences of black argillite were noted.

In the vicinity of the RAIN claims gently dipping quartzites are essentially the only outcrops and the main placer channel has cut into these formations up to 14 feet where it is highly fractured along a major fault in the bed of Left Clear Creek. Similar quartzites were observed as far up the creek toward the Rhosgobel grid as was traversed.

Minor granitic dykes occur and granitic intrusives have been mapped in the Rhosgobel grid area on the RAIN claims. Skarns have been developed within the quartzite sequence indicating calcareous horizons and these were mapped and explored for tungsten by Canada Tungsten in 1981.

The near massive pyrite mineralization observed at the bottom and face of the placer channel occurs in a slightly darker looking, possibly slightly argillaceous bed. The sulphides occur with considerable sericitic alteration but whether this is a result of alteration in the mineralized bed or due to alteration only along the major fault cutting the zone could not be clearly determined. Quartzite beds, generally eight to possibly twenty-four inches in thickness, lie both above and below the mineralized horizon. These beds strike approximately N70°E and dip at 20° to 30° to the north.

A major fault with 6 to 24 inches white, fine, plastic fault gouge occurs in the bed of Left Clear Creek and has been followed for several hundred feet along the channel by the placer operation. This fault strikes about N70° and dips 70° north. Branch faults, or possibly intersecting faults, appear in the north wall of the trench and dip at 50° to 65° to the north.

Although not observed, except as float boulders, by the writer, granitic intrusives occur extensively near the head of Left Clear Creek. Tungsten bearing skarns occur in proximity to the larger intrusive stocks but, more importantly, quartz vein stockworks have been mapped within the intrusive areas. Gold occurs with these quartz veins.

MINERAL OCCURRENCES

Canada Tungsten concentrated their exploration in the vicinity of the RAIN claims on tungsten (Scheelite) mineralization within skarn beds. So far as is known these deposits are not of economic grade or size.

Within the granitic stocks mapped on the property quartz vein stockworks have been partially mapped. The veins vary from hair line to about 2 inches in width and are reported to assay, individually, as high as 2.5 ounces gold per ton. The density of quartz veining varies considerably and certain estimates are available in the Canada Tungsten reports. On the Rhosgobel grid soil sampling was conducted over a large area. Samples were run primarily for tungsten, tin, and gold. A large gold anomaly is indicated covering an area 800 metres long by up to 400 metres wide. Gold values range up to about 1000 ppb while to the north a single sample line has values up to 1400 ppb gold. It is possible a bulk tonnage operation might be developed here. No trenching or bulk sampling has been done in this area.

The new mineral discovery consists of massive pyrite float on the hill south of the placer operation which assayed >100 oz gold per ton and 3 to 3.5 foot thick beds of pyrite, sericite mineralization in the channel of Left Clear Creek. Samples taken by the writer assayed as follows:

<u>Sample No.</u>	<u>GOLD</u> <u>oz/ton</u>	<u>SILVER</u> <u>oz/ton</u>	<u>Width</u>	
58551H	0.184	0.06	3.5'	Altered greenish schist in F.W. of fault at 0+20W. Heavy pyrite in narrow zones.
58552H	0.256	0.04	3.0'	At 0+30W. Similar to 551H.
58553H	0.116	0.14	2.0'	At 0+75W. Pyrite zone within quartzite between two shale partings in hanging wall of fault.

Every effort was made during sampling and, at Chemex Labs, during sample preparation, to be sure that no free placer gold was present in these samples.

The mineralized pyrite bed dips at about 20° to the north and its southward projection would bring it out on the hillside to the south somewhere in the vicinity of the reported high grade float.

RECOMMENDATIONS

It is recommended that exploration be conducted to investigate two very different types of gold occurrence each of which will require a significant amount of work to provide even a preliminary estimate of the possible potential.

In effect the 1987 Phase I program is intended to consolidate the land position and test the efficiency of geophysical methods in detecting the gold bearing pyrite mineralization. The 1988 Phase II programs are intended to follow up on both types of mineralization indicated on the property and to provide an initial assessment of extent and grade.

<u>PHASE I 1987</u>	<u>PYRITE ZONE</u>		
<u>ITEM</u>	<u>DESCRIPTION</u>	<u>ESTIMATED COSTS</u>	<u>CUMULATIVE COSTS</u>
1.	Option Payment	(\$10,000)	
2.	Additional Claim Staking and Recording 140 claims @ \$100	\$ 14,000.	\$ 14,000
3	Establish base line along north side of Left Clear Creek Valley and extend grid lines at 100 metre intervals south for 2000 metres each. 30 km @ \$200	1,000 6,000	15,000 21,000
4.	Conduct VLF-EM, Magnetometer and IP Surveys on Grid lines Magnetometer 30 km @ \$120 VLF-EM 2 stations 30 km @ \$170 IP 20 km @ \$800/km	3,600 5,100 16,000	24,600 29,700 45,700
5.	Test soil Sampling 40 samples @ \$50	2,000	47,700
6.	Extra Mobilization, Demob Costs	3,600	51,300
7.	Engineering Report	2,500	53,800
8.	Supervision, Management 7% approx	3,500	54,300
9.	Contingency 10% approx	5,700	60,000
	Assume total program Cost		\$60,000
	Including Option Payment		\$70,000

PHASE II A 1988 PYRITE ZONE

<u>ITEM</u>	<u>DESCRIPTION</u>	<u>ESTIMATED COSTS</u>	<u>CUMULATIVE COSTS</u>
1.	Extension of Grid 30 km @ \$200	\$ 6,000	\$ 6,000
2.	Extension of VLF-EM Survey 30 km @ \$170	5,100	11,100
	Extension of Magnetometer Grid 30 km @ \$120	3,600	14,700
	Extension of IP Survey 40 km @ \$800	32,000	46,700
3.	Soil Sampling 200 Samples @ \$40	8,000	54,700
4.	Drill Test of 1987 IP Anomalies 2,000 feet (10 Holes) @ \$50/Ft all inclusive	100,000	154,700
5.	Engineering Report	4,500	159,200
6.	Supervision, Management 7% approx	10,800	170,000
7.	Contingencies 10%	17,000	187,000
	Total Phase IIA		\$187,000

PHASE II B 1988 STOCKWORK ZONE (RHOSGOBEL GRID)

1.	Geological and Sampling Check Survey	\$ 10,000	
2.	Tractor Access Trail 20 hours @ \$125	2,500	\$ 12,500
3.	Tractor Stripping and Trenching 100 hours @ \$125	12,500	25,000
4.	Trench Cleaning, Blasting, Bulk Sampling 3 man crew plus equipment \$900/day	9,000	34,000
5.	Mapping, shipping, Sample Analysis	5,000	39,000
6.	Engineering Report	1,500	40,500
7.	Supervision, Management 7% Approx	3,000	43,500
8.	Contingencies 10% Approx	4,500	48,000
	Total Phase II B		\$48,000

Total Phase II A & B \$235,000

If the results of the 1987 Phase I and 1988 Phase II programs provide favourable indications as to possible grades and tonnage in either or both of the Pyrite and Stockwork zones substantial expenditure will be required in following programs to delineate ore grade material in preparation for a feasibility study. It is not possible to project such expenditures until the results of the initial programs have been assessed.

Respectfully submitted,
J.C. Stephen Explorations Ltd.

J.C. Stephen, President

JCS/ms

OUTLINE OF PROPOSED OPTION AGREEMENT

The Option covers Hardrock Mining Only, Not Placer

<u>Date</u>	<u>Item</u>	<u>Cost</u>
On signing option	Initial Option payment to Property Owners	\$10,000
By December 31, 1987	Phase I Exploration and Staking	\$60,000
March 31, 1988	Option payment and commitment to 1988 Phase II program	\$10,000
By December 31, 1988	Phase II A & B Programs	\$235,000
March 31, 1989	Option payment and commitment to 1989 minimum program of at least \$150,000	\$20,000 to earn 50% interest
By December 31, 1989	1989 Program (minimum)	\$150,000
March 31 each year	Option payments of each year to production	\$20,000
	On completion of \$1,000,000 in work programs payment of \$100,000 and 100,000 free trading company shares to complete earn in Agreement subject to 3% Net Smelter Return on Production	To earn 100% interest