

MICROFILMED

DATE.....

PROSPECTUS
May 30, 1985
062204

REPORT ON THE GEOLOGY OF THE
AINE CLAIMS
LOCATED AT MIKE LAKE
DAWSON MINING DIVISION
YUKON TERRITORY

Co-ordinates: Lat. $64^{\circ}16'$ N LONG. $137^{\circ}55'$ W

Report Prepared

for

GALLAGHER EXPLORATIONS LTD.

Vancouver, B.C.
February 27, 1984

D.P. Taylor, P.Eng.

TABLE OF CONTENTS

INTRODUCTION.....	1
PROPERTY.....	1
LOCATION AND ACCESS.....	2
TOPOGRAPHY AND CLIMATE.....	2
HISTORY.....	5
GEOLOGY.....	5
STRUCTURAL GEOLOGY.....	6
PROPERTY GEOLOGY.....	7
CONCLUSIONS.....	10
RECOMMENDATIONS.....	10
ASSAY CERTIFICATE.....	13
CERTIFICATE.....	14

APPENDIX

DRILL HOLE SECTIONS

MAPS IN POCKET

GEOLOGY MAP SOUTH VEIN

GEOLOGY MAP NORTH VEIN

PROPERTY LOCATION MAP.....	4
----------------------------	---

REPORT ON THE GEOLOGY OF THE

AINE CLAIMS

LOCATED AT MIKE LAKE

DAWSON MINING DIVISION

YUKON TERRITORY

INTRODUCTION

This report is based on a personal examination and sampling of the Aine claims on July 6, 1981 by the writer in conjunction with the report of F. Holcapek, P.Eng., of November 1975 of work performed on this ground by Canalta Resources Ltd. The Canalta Resources Ltd. work as reported by F. Holcapek, P.Eng., provides the foundation of this report and its findings were confirmed by the writer's inspection. Between 1975 and the present, the ground has been acquired, by staking, by Mr. S. Young.

The claims are in the process of being transferred to Gallagher Explorations Ltd.

PROPERTY

The property is comprised of 24 claims staked and recorded in the Yukon Territories, namely:-

<u>Claims</u>	<u>Recording Date</u>	<u>Grant Numbers</u>	<u>Expiry Date</u>
AINE 1-24	July 7, 1981	YA 55689-YA55712	July 7, 1984

Mr. Young has dispatched a filing of Transfer of Mining Claim to Mr. Boyle, President of Gallagher Explorations Ltd.

Gold Commissioner at Dawson City, Y.T.

By Agreement of January 26, 1984, inspected by the writer, Mr. Boyle has sold his interest in the Aine 1-24 claims to Gallagher Explorations Ltd. This sale will become effective on registration of the claim transfer from Mr. Young to Mr. Boyle.

LOCATION AND ACCESS

The property is located approximately 75 km. ENE of Dawson City, Y.T. and is 26 km. east of the Dempster Highway. Topography between the Dempster Highway and the property is clear and open for road building.

For current purposes, access is best achieved by helicopter from Dawson City, Y.T. It has been proven possible to land a float plane on Mike Lake but it is now considered too small a lake to be used for such purposes.

Co-ordinates of the property are:

Lat. 64° 15'N Long. 137° 55'W

TOPOGRAPHY AND CLIMATE

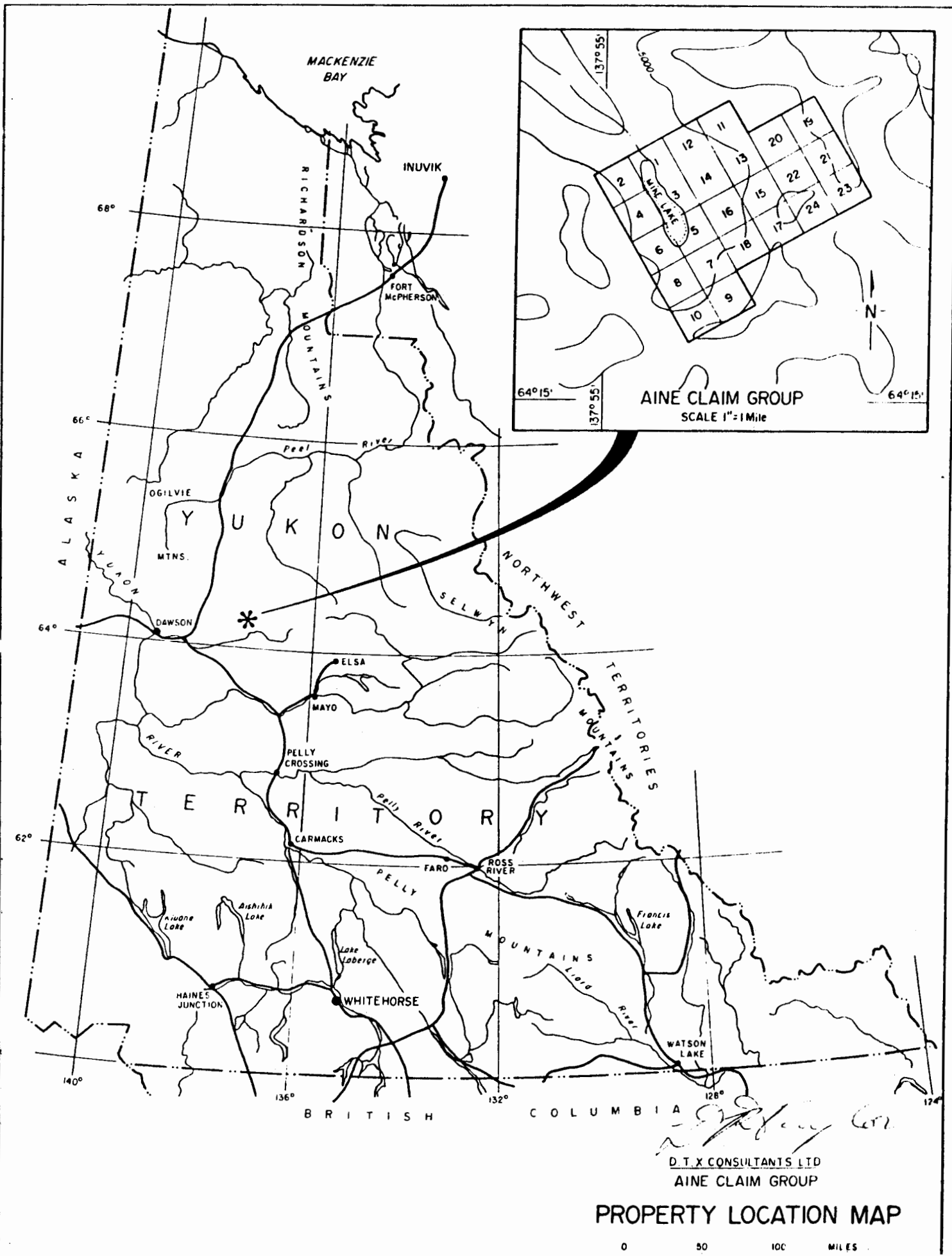
The claims are located in a rugged but open area. About one half of the property is in meadow, above timberline, and the other half is steep to precipitous mountain outcrop. Elevations on the property vary between 1600 and 220 meters a.s.l. which is all

above timberline at these latitudes. Lower elevations are covered by glacial debris and higher elevations are generally rock outcrop.

Vegetation cover is very light, generally of moss and lichen.

The climate is typical of the central Yukon with severe winters and short summers. The active exploration working season is from early July to late September.

Water for exploration and mining purposes is readily available from Mike Lake.



MACKENZIE BAY

INUVIK

FORT McPHERSON

RICHARDSON MOUNTAINS

Peel River

OGILVIE

YUKON

MTNS.

DAWSON

ELSA

MAYO

PELLY CROSSING

CARMACKS

PELLY RIVER

FARD

ROSS RIVER

NORTHWEST TERRITORIES

SELWYN MOUNTAINS

TERRITORY

Aiwana Lake

Aishihia Lake

Lake Laberge

WHITEHORSE

MOUNTAINS

Francis Lake

HAINES JUNCTION

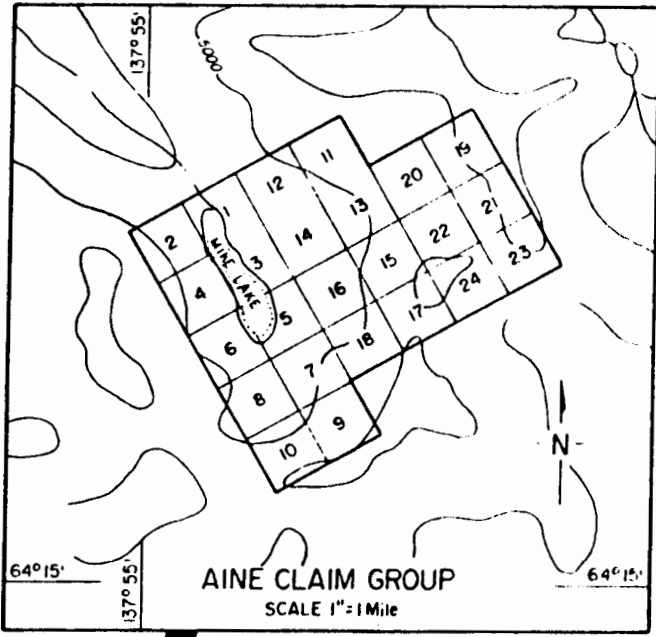
WATSON LAKE

LIARD RIVER

ALASKA

BRITISH

COLUMBIA



AINE CLAIM GROUP
SCALE 1" = 1 Mile

D.T.X. CONSULTANTS LTD
AINE CLAIM GROUP

PROPERTY LOCATION MAP

0 50 100 MILES

HISTORY

The claims are in an area that has attracted considerable interest over the years for both precious and base metals.

Companies active in the immediate claim area have been Belmoral Mines Ltd., Hart River Mines Ltd., Canwest Mines Ltd., and Canalta Resources Ltd.

The primary economic attraction for mining companies in the Mike Lake areas has been the significant gold values found on the Aine Claims and in adjacent areas over the last twenty years.

The Aine claims themselves cover much of the area originally held by Hart River Mines Ltd.

During the middle 1970's Canalta Resources Ltd. held this ground and some trenching and minor diamond drilling was performed. The report of F. Holcapek, P.Eng., reports their findings. The program of Canalta seems to have been an attempt to develop a high grade core to the property (which failed), larger and lower grade, or other potential high grade, potentials of the property were not investigated by previous programs.

GEOLOGY

The regional geology of the area is covered by the Geological Survey of Canada, Paper 62-7 with the accompanying Map 14-1962.

This shows the region to be largely underlain by a northwest-trending belt of Precambrian and/or Cambrian sedimentary and metamorphic rocks intruded by small granitic to basic sills. The older rocks (Unit 3) consists of quartzite, sandstone, conglomerate, shales, slates, phyllites, various schists and limestone.

Intrusives occupy the southern-central portion of the claim group. These consist of variously textured syenitic rocks with lesser diorite.

The sedimentary units are strongly contorted and generally contain appreciable amounts of pyrrhotite and pyrite giving them a rusty appearance. Several large dykes, up to 50 feet wide, cut the intrusives and sediments.

STRUCTURAL GEOLOGY

Structurally the area has been intensively folded as indicated by a series of tight overturned folds along a steep hillside along the eastern boundary of the claim group.

The isolated quartzite peaks at the mountain peaks surrounding Mile Lake are part of a tightly folded anticline bisected by deep glacial valleys or cirques.

Sheeting observed in the syenite, causing mass wasting by large blocks and boulders, is essentially parallel to the bedding of the sediments. North and east of the south veins the syenite, feldspar

porphyry is overlaying the sediments. A zone of up to five feet wide of thermal metasomatism associated with a chilled contact is exposed in this area. Jointing within the syenite is parallel to fracturing within the sediments.

The sulfide content of the sediments, expressed by intensively rusty areas decreases with the distance from the intrusive contact.

Two areas of strong easterly-trending fractures are indicated by the south vein and north vein.

The first is confined to the syenite outcrop area and appears to be a continuation of the fracture zone investigated on the AS claims to the west. Heavy rubble cover precludes more detailed surface investigation.

The second, in the vicinity of the north zone, lies within an area of quartz outcrops.

PROPERTY GEOLOGY

The north zone of the property has been trenched, and sampled by Canalta Resources Ltd. Check sampling was performed by the writer on three of the trenches. Samples were, in each case, taken from oxidized material and are, therefore, subject to some interpretation. Values in gold and arsenic are consistent in each sampling, confirming the presence of economically interesting mineralization. Check sampling covered a strike length of about 1,000 feet.

The mineralization system in the North zone has been assumed by previous examiners to be a straight forward vein system. F. Holcapek, however, noted in his report that 'en-echelon' and 'horsetailing' exist on this structure. Mr. Holcapek also noted that he saw little evidence of mineralization on the ridge above the showings due to weather conditions at the time of his inspection. The writer's inspection of the ridge also showed no significant mineralization, but, inspection of the three trenches indicates the mineral-bearing structures develop toward the overburden-covered valley.

The occurrence of quartz veining and of gossanous arsenopyrite zones is more predominant toward the valley bottom. The area of exploration interest on the north zone is overburden covered but should be amenable to quite definitive location by simple geophysical techniques. This area is considered to be of prime importance for exploration by the writer.

Mr. Holcapek's samples in this area ranged from 0.003 to 0.438 oz Au/ton over ten exposures. The writer had three relatively large trenches remaining exposed on the inspection of August 1981 and check sampling of badly exposed and sloughed material yielded assays of 0.001 to 0.047 oz Au/ton. The proportionately lower assays are believed to be a function of the severely weathered sample condition. There does not appear to be a direct relationship between gold and arsenic assay values on this showing, however, their co-occurrence in the area is obviously related.

The North showing has received the most attention to date and has been tested by both trenching and short hole diamond drilling.

Gold values obtained from trench sampling and diamond drilling are higher on the north than on the south showings. Outcrop exposure on the north showings are much more extensive than on the south. Holcapek's values from trenches on the north zone range from .003 to 1.548 oz Au/ton; his most interesting assay was from Trench 1 (sample 32003) which ran 1.012 oz Au/ton across three feet of width. A grab sample taken from this location by the writer ran 2.12 oz Au/ton and 0.27% cobalt in a matrix containing 17.25% arsenic.

Diamond drilling conducted by Canalta Resources Ltd. consisted of three short holes at -60 to -70° dip between 187 and 240 feet of depth. Two of the holes intersected mineralization of economic importance; DDH 1 hit 4.6 feet of 0.120 oz Au/ton at 120 feet of depth and DDH 3 hit 4.2 feet of 0.715 oz. Au/ton at 155 feet of depth. Values encountered in drilling were down dip extensions of surface vein showings. The diamond drilling confirmed the downward extension of mineral bearing structures and determined some continuity if not consistency in economically important mineral content. Sections of the drill holes are appended to this report.

CONCLUSIONS

The Aine claims are underlain by Precambrian to Cambrian sedimentary and metamorphic rocks intruded by later dykes and sills of granitic to basic intrusives.

Two systems of arsenopyrite containing gold values have been partially explored in outcrop areas of the property. Exploration potential for further mineralization of possible economic significance is considered good in overburden covered areas.

A programme of EM surveying is considered the best tool to search for structures containing massive arsenopyrite such as has been found in exposures discovered to date. Such structures found by EM should be further explored by short hole diamond drilling and, where overburden is shallow, by trenching.

A simple EM programme, utilizing a VLF EM-16 should be used over the overburden-covered areas. Horizontal loop EM of the MAX-MIN II type is expected to be the best tool for defining VLF anomalies to depth and for dip attitudes.

RECOMMENDATIONS

The overburden covered area of the claims should be traversed in a north-south direction by a VLF-EM 16 machine. This should be done on a north-south oriented grid with grid lines 30 meters apart and stations every 15 meters. Anomalies found in this survey should

be tested with a MAX MIN II EM machine and the anomalies profiled and defined.

Test pits should be dug on anomalies to determine overburden depth and where possible surface trenching is recommended.

Anomalies too deeply covered for surface trenching should be tested by diamond drilling. Short hole drilling should be amenable to use of a small light machine, however, a minimum BQ core size is recommended.

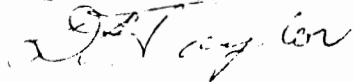
Cost estimates for the above programme are as follows:

PHASE I

Camp	\$ 1,500
Helicopter	10,000
EM Surveys - 2 men - 5 days	2,000
Transport (air fares)	5,500
Supplies	2,500
Supervision	1,000
Trenching - 2 men - 10 days	4,000
	<hr/>
	26,500
Contingencies at 20%	<hr/>
	5,300
	<hr/>
	\$ 31,800
	<hr/> <hr/>

Phase II programme costs will be dependent upon the number of anomalies encountered and a separate cost estimate for that programme should be dependent upon Phase I results.

Respectfully submitted,



David P. Taylor, P.Eng.;

February 29th, 1984



To: Donegal Development
725 - 475 Howe St.,
Vancouver, B.C.

Attn.: Mr. S. Young

File No. 81-0935

Type of Samples Rocks

Disposition _____

ASSAY CERTIFICATE

No.	Sample	Ag oz/ton	Au oz/ton	Co%	As%			No.
1	AINE # 1	.01	.001	.01	.13	✓		1
2	2	.03	.047	.01	18.56	✓		2
3	3	.05	.027	.01	18.56	✓		3
4	4	.08	.101	.02	.39	✓		4
5	5	.10	2.120	.27	17.25	✓		5
6	AINE # 6	.27	.011	.01	1.82	✓		6
7								7
8	YR # 1	1.10	3.780	.13	17.25			8
9	2	.07	.188	.03	7.81			9
10	YR # 3	.69	1.710	.10	17.25			10
11								11
12								12
13								13
14								14
15								15
16								16
17								17
18								18
19								19
20								20

All reports are the confidential property of clients.

DATE SAMPLES RECEIVED Aug. 4, 1981

DATE REPORTS MAILED Aug. 8, 1981

ASSAYER Dean Toy

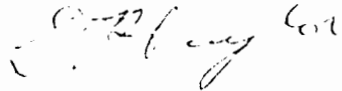
DEAN TOYE, B.Sc.
CHIEF CHEMIST
CERTIFIED B.C. ASSAYER

CERTIFICATE

I, DAVID P. TAYLOR, P.Eng., of 1884 West 7th Avenue, Vancouver, British Columbia, do hereby certify that:

1. I am a consulting geologist residing at the above address.
2. I have practised as an exploration geologist for the past fifteen years.
3. I am a graduate of the Royal School of Mines, Imperial College, London University, M.Sc., D.I.C. 1971.
4. I am a registered member, in good standing, of the Association of Professional Engineers of the Province of British Columbia.
5. I neither hold nor expect to receive any interest in the Aine Claims nor Gallagher Explorations Ltd. subject of this report, or in any lands in adjacent areas.
6. I consent to the use of this report by Gallagher Explorations Ltd. in any Prospectus or Statement of Material Facts.

Vancouver, B.C.
February 4, 1984


D.P. Taylor, P.Eng.,

TRENCH I
0.95Ag, 0.675Au, 4.5'

DDH-1

TALUS OVERBURDEN

SYENITE
PORPHYRY

0.22 Ag, 0.012 Au, 0.05'

0.03 Ag, 0.010 Au, 0.08'

0.21 Ag, 0.128 Au, 4.6'

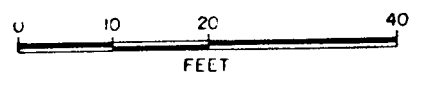
0.01 Ag, 0.012 Au, 3.0'

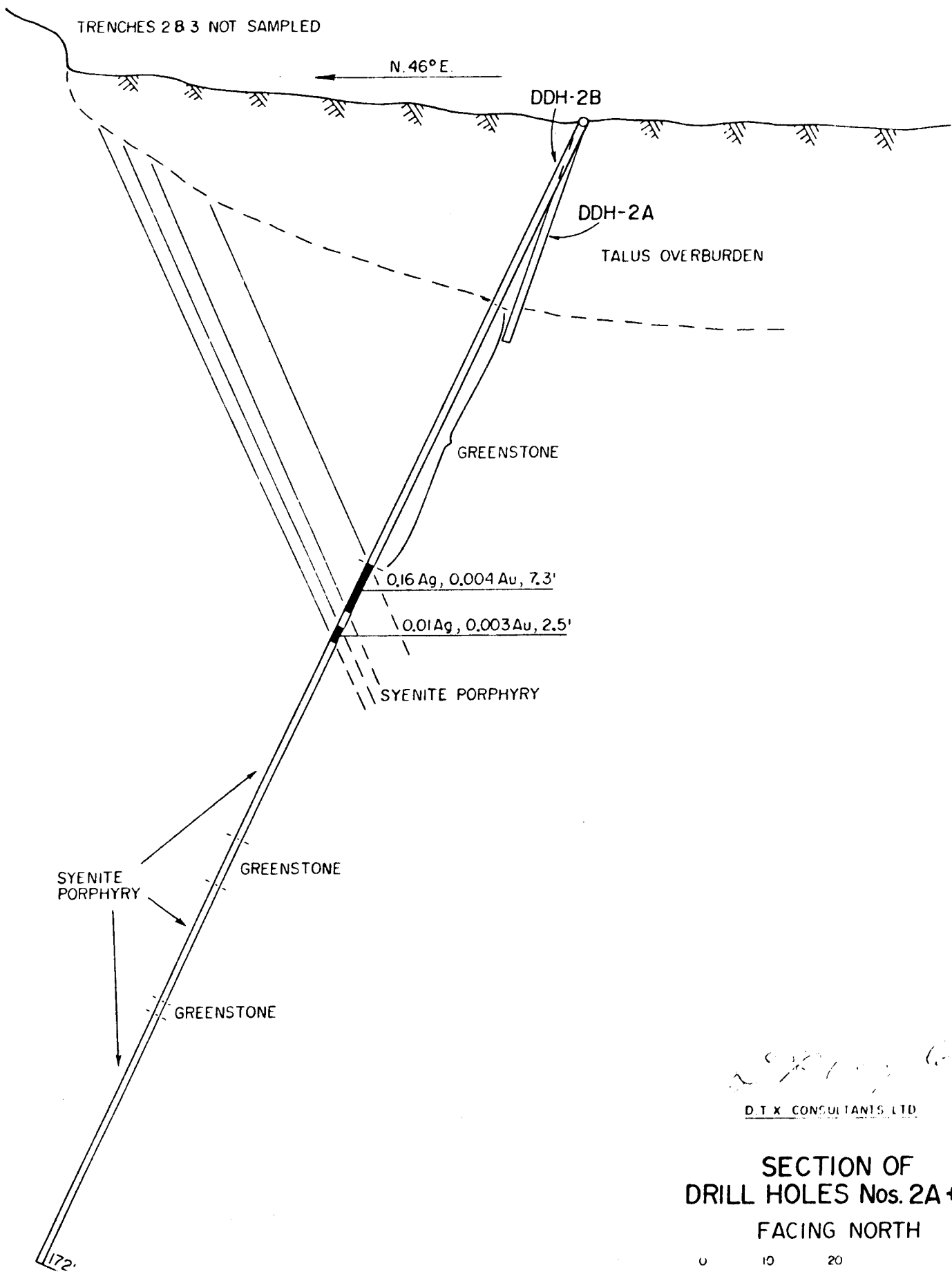
SYENITE PORPHYRY
TO 240'



D.T.X. CONSULTANTS LTD

SECTION OF
DRILL HOLE No. 1
FACING NORTH





TRENCHES 2 & 3 NOT SAMPLED

N. 46° E.

DDH-2B

DDH-2A

TALUS OVERBURDEN

GREENSTONE

0.16 Ag, 0.004 Au, 7.3'

0.01 Ag, 0.003 Au, 2.5'

SYENITE PORPHYRY

SYENITE PORPHYRY

GREENSTONE

GREENSTONE

D.T.X. CONSULTANTS LTD.

SECTION OF
DRILL HOLES Nos. 2A + 2B
FACING NORTH

0 10 20 40

172

TRENCH 4 100' W
0.03 Ag, 0.329 Au, 4'

DDH-3

TALUS

OVERBURDEN

SYENITE
PORPHYRY

ORE ZONES

SYENITE
PORPHYRY

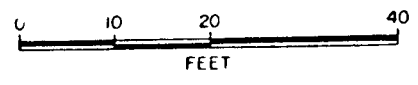
0.18 Ag, 0.060 Au, 2.8'

0.04 Ag, 0.005 Au, 13.3'

0.25 Ag, 0.715 Au, 4.2'

D.T.X. CONSULTANTS LTD

SECTION OF
DRILL HOLE No. 3
FACING NORTH



AREA OF SPRINGS
AND WATER SEEPAGE



QUARTZITE TALLS

ARSENOPYRITE AS FLOAT

QUARTZITE RUBBLE AND MINOR OUTCROP
TREND EAST-DIP 75°-80° SOUTH

TR-6
GOOD ARSENOPYRITE
APPARENT WIDTH 4
23500 02Ag, 124Au

TR-7
PYRITE COMPLETELY
OXIDIZED
23509A 02Ag, 02Au, 4'

HYDROTHERMAL WALL ALTERATION
ARSENOPYRITE MASSIVE OVER 7 FEET
HANGING WALL CONTACT STRONGLY WEATHERED

23506A 0 Ag, 102 Au, 2.5
23507A 02 Ag, 18 Au, 7

VEIN EXPOSED - HIGHLY WEATHERED
ARSENOPYRITE PEBBLES AND BOULDERS IN PLACE

23503A 02 Ag, 09 Au, 6' Grt
RUBBLE OXIDIZED SOME ARSENOPYRITE

TR-5
DTX-AINE # 1
01 Ag, 001 Au, 01 Co, 15
01 Co, 13 As

23504A 04 Ag, 438 Au, 6' Grt
VEIN MATERIAL COMPLETELY
OXIDIZED - TRENCH DOES NOT
SHOW VEIN OUTLINE

TR-3
23503A 02 Ag, 003 Au, 6' Grt

TR-2
DTX-AINE # 2
03 Ag, 047 Au,
01 Co, 18.56 As

23501C 01 Ag, 04 Au, 1
QUARTZITE - HYDROTHERMAL
ALTERATION ALONG WALL ROCK

AREA OF QUARTZITE AND
INTERMITTENT VEIN RUBBLE
HEAVY OVERBURDEN

MASSIVE ARSENOPYRITE ALONG
100' WALL - REST OF TRENCH OXIDIZED

DTX-AINE # 3
05 Ag, 027 Au,
01 Co, 18.56 As

TR-8
23511A 45 Ag, 128 Au, 5'
STRONGLY OXIDIZED - PYRRHOTITE - 5 FEET WIDE
HANGING WALL NOT EXPOSED

23512 0 Ag, 03 Au, 6' Grt
STRONGLY WEATHERED
VEIN MATERIAL
6X6 FEET

23513 05 Ag, 02 Au, 6' Grt
VEIN MATERIAL
OXIDIZED 10X5 FEET

DTX-AINE # 4
08 Ag, 101 Au, 02 Co, 39 As

23514 01 Ag, 01 Au, 3'
HORSETAILING TO SOUTHWEST ARSENOPYRITE
IN DARK GREEN MATRIX HYDROTHERMAL ZONE
AMPHIBOLITE POSSIBLY ALTERED BASIC
DYKE TRENCH STRONGLY WEATHERED

LEGEND

- Vein exposed
 - Vein trace
 - Faults and slips
 - Outcrop limit
 - Jointing
 - Slip strike
 - Trench
 - DDH O - Diamond drill hole
 - Creek
 - Elevation contour
 - Claim post
- Ag = 02/100, Au = 02/100, Co = %, As = %

AINE No 20
AINE No 21
AINE No 22

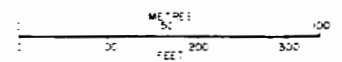
DDH - PROPOSED

QUARTZITE OUTCROP
STRIKE EAST 80° SOUTH

[Handwritten signature]

D.T.X. CONSULTANTS LTD.

**GEOLOGY MAP
NORTH VEIN**



SYENITE PORPHYRY



TR-1 (10X6X6)
C. 45Ag, 0.675 Au, 4.5

DTX-AINE # 5
10Ag, 2.120 Au, 27Co, 17.25 As

DTX-AINE # 6
27Ag, 0.11 Au, 0.1 Co, 1.82 As

TR-2 (30X7X4)
0.21 Ag, 0.128 Au, 4.5

TR-3 (15X10X1)
0.23 Ag, 0.004 Au, 2.3

TR-4 (5X6X6)
0.03 Ag, 0.329 Au, 4.0

TR-5 (10X3X1)
0.008 Ag, 0.01 Au, 1.5

TR-6 (10X4X6)
0.79 Ag, 1.548 Au, 3

TR-7 (5X5X4)
0.85 Ag, 1.534 Au, 1.0

TR-8 (4X3X2)
4.28 Ag, 0.30 Au, 2.5

1.15 Ag, 0.176 Au, 3.2

1.5 Ag, 0.696 Au, 6.0

DDH-1

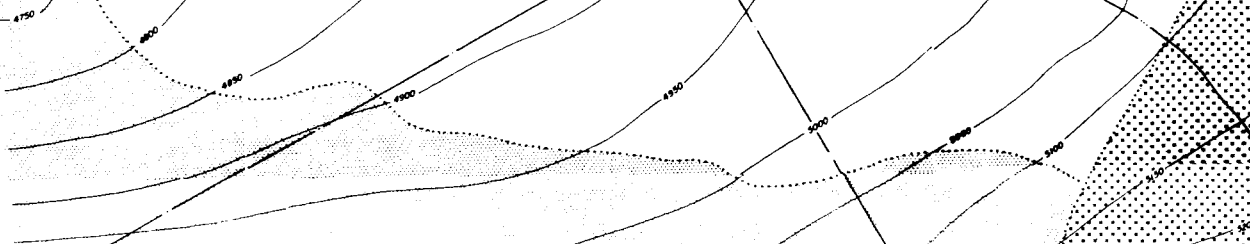
DDH-2

DDH-3

RUBBLE AND OCCASIONAL SMALL OUTCROPS

TALUS AND MIXED GROUND MORAINE

AINE No. 8
AINE No. 10
AINE No. 7
AINE No. 9



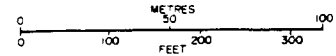
LEGEND

- Porphyritic syenite
- Chert and quartzite
- Vein exposed
- Vein trace
- Faults and slips
- Outcrop limit
- Jointing
- Slip strike
- Trench
- Diamond drill hole
- Creek
- Elevation contour
- Claim post

Ag - oz/ton, Au - oz/ton, Co - %, As - %

D.T.X. CONSULTANTS LTD.

**GEOLOGY MAP
SOUTH VEIN**



J. Taylor