

PROSPECTUS
August 5, 1988.
062298

REPORT

ON THE

HYLAND GOLD PROPERTY

PIGLET 1-32; QUIVER 1,2,11,12,21-24, 25, 30, 32, 34;

and SOW 1-5 QUARTZ CLAIMS

FOR

ADRIAN RESOURCES LTD.

WATSON LAKE MINING DISTRICT

YUKON TERRITORY

BY

FRANZEN MINERAL ENGINEERING LTD.

J.P. FRANZEN, P.ENG.

North Vancouver, B.C.

May 6, 1988

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SUMMARY

Adrian Resources Ltd. has been granted an option to earn an interest in the HYLAND gold property, near Watson Lake, Yukon Territory. The HYLAND property consists of 49 quartz claims and is centered on an overburden-covered, faulted and mineralized zone some 2,500 m long and 400 m wide. Soils overlying the zone are strongly anomalous in gold, arsenic and bismuth. A 1987 bulldozer trenching program outlined an extensive sediment-hosted, gold-bearing hydrothermal system in the anomaly area.

A two stage exploration program is recommended to further assess the precious metals potential of the HYLAND property. Stage 1, at an estimated cost of \$682,000 would consist of geophysical surveys, bulldozer trenching and a diamond drilling program. Contingent on encouraging results from the first stage, Stage 2 would include a fill-in diamond drilling program and metallurgical testwork at an estimated cost of \$940,000.

INTRODUCTION

Adrian Resources Ltd. holds under option agreement the HYLAND gold property, Watson Lake Mining District, Yukon Territory. The 49 quartz claim property is centered on a faulted and mineralized zone some 2,500 m long and 400 m wide. Bedrock exposure is poor. Soils overlying the zone are strongly anomalous in gold, arsenic and bismuth. A 1987 bulldozer trenching program tested the anomaly area and outlined an extensive, sediment-hosted gold-bearing hydrothermal system.

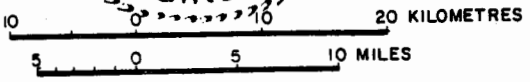
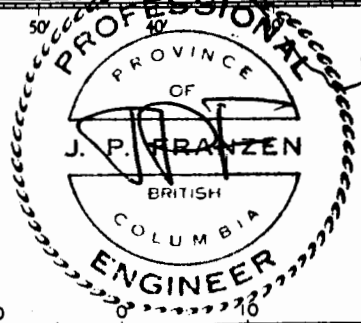
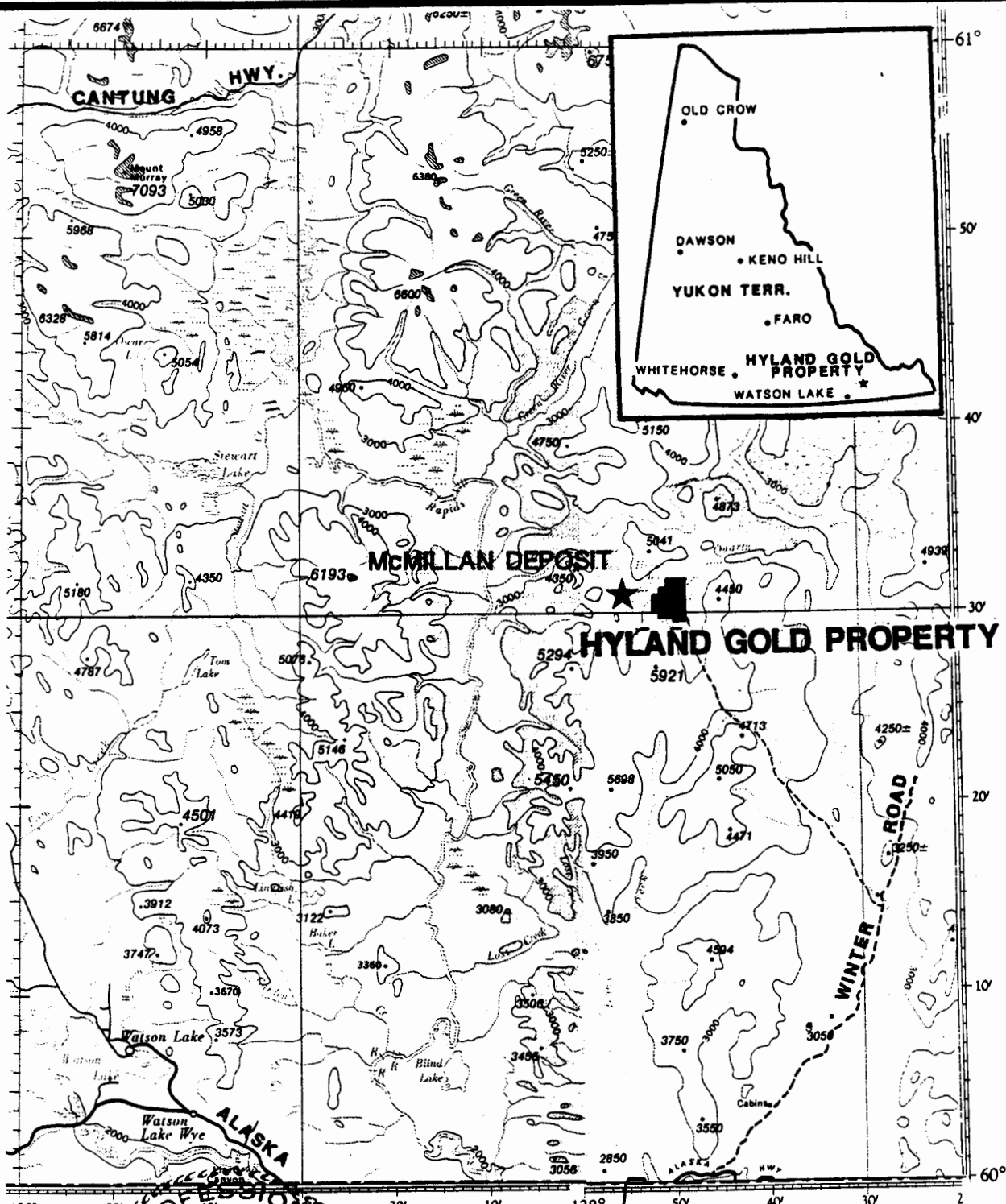
The writer first reported on the subject property for Silverquest Resources Ltd. in a report dated February 28, 1986 (Franzen, 1986). Subsequent to that report, Silverquest Resources Ltd. completed detailed geochemical sampling program in 1986 and a bulldozer trenching program in 1987.

Adrian Resources Ltd. retained the writer to assess the results of this work and to recommend a program to further explore the subject property. The writer has had considerable precious metals exploration, development and production experience in Yukon Territory; data were reviewed from this perspective. At the time of writing, Environment Canada reported 1 m of snow cover on the property. Accordingly, a site visit was not undertaken. This report is based on published reports and maps and data provided by Archer, Cathro & Associates (1981) Limited.

LOCATION AND ACCESS

The HYLAND property is 70 km northeast of Watson Lake, Yukon Territory (Figure 1). The claims are centered at latitude 60°31' north and longitude 127°50' west. Watson Lake is the local population centre and provides all goods and services required for mineral exploration work.

Access to the property is by helicopter or float plane from Watson Lake. A winter road ends 30 km southeast of the property (Figure 1). Earth-moving equipment was moved to the property along a winter bulldozer trail.



ADRIAN RESOURCES LTD.	
HYLAND GOLD PROPERTY WATSON LAKE M.D., YUKON TERR.	
LOCATION MAP	
DATE: MAY, 1988	NTS:95-D-12
BY: J.P.FRANZEN/r.w.r.	FIGURE: 1

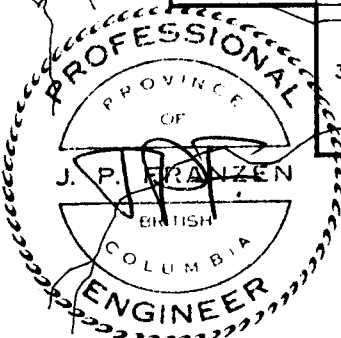
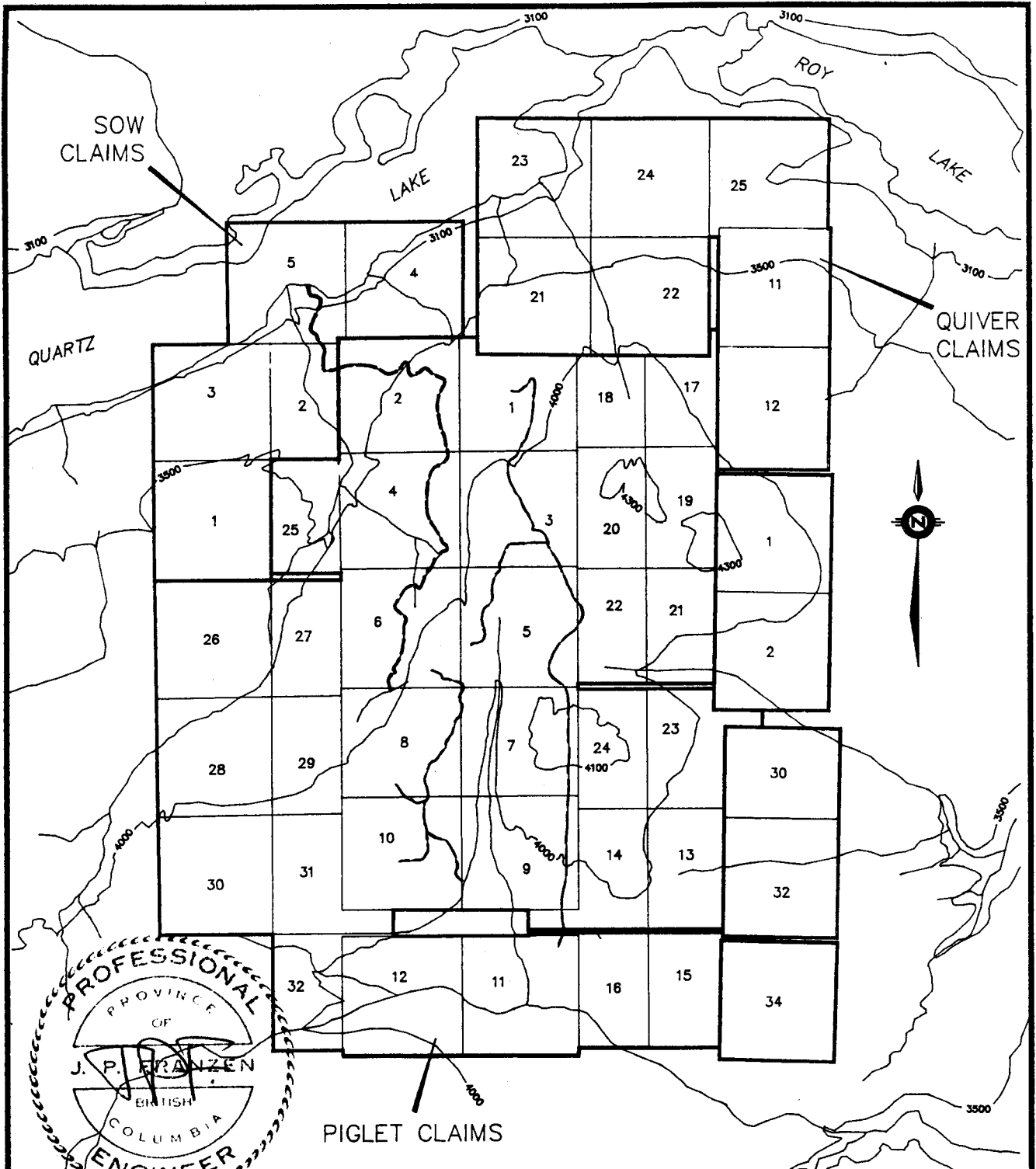
MINERAL PROPERTY

The HYLAND property is in the Watson Lake Mining District, Yukon Territory. The property consists of 49 contiguous quartz claims covering approximately 860 hectares (Figure 2). These claims are believed to have been properly located according to The Act Respecting Quartz Mining in Yukon Territory.


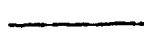
Details of claims, as supplied by the Mining Recorder - Watson Lake Mining District, follow:

<u>Claim Name</u>	<u>Grant Number</u>	<u>Recorded Owner</u>	<u>Expiry Date</u>
PIGLET 1-32	YA70902- YA70933	Silverquest Resources Ltd.	12 March, 1995
QUIVER 1-2	YA68429- YA 68430	Silverquest Resources Ltd.	11 March, 1992
QUIVER 11-12	YA68439- YA68440	Silverquest Resources Ltd.	11 March, 1992
QUIVER 21-24	YA68449- YA68452	Silverquest Resources Ltd.	11 March, 1992
QUIVER 25	YA68709	Silverquest Resources Ltd.	11 March, 1992
QUIVER 30	YA68714	Silverquest Resources Ltd.	11 March, 1992
QUIVER 32	YA68716	Silverquest Resources Ltd.	11 March, 1992
QUIVER 34	YA68718	Silverquest Resources Ltd.	11 March, 1992
SOW 1-5	YB00422- YB00426	Archer, Cathro & Associates (1981) Limited	11 March, 1993

Adrian Resources Ltd. has acquired an option agreement from the recorded owners of the quartz claims. The writer has not reviewed this agreement as this was beyond the terms of the assignment.



LEGEND:

-  4 WHEEL DRIVE ROAD
-  BULLDOZER ROAD

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HYLAND GOLD PROPERTY

WATSON LAKE MINING DISTRICT, Y.T.

NTS: 95 D/12

QUARTZ CLAIM AND TOPOGRAPHIC MAP



SCALE IN METRES

DATE: MAY, 1988

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FIGURE No. 2

PHYSICAL FEATURES

The subject property straddles a moderately rugged, northeast trending ridge south of Hulse and Roy Lakes (Figure 2). Property elevations range from 920 m at lake level, to 1,320 m on the ridge top. A glaciofluvial terrace rims the northwestern corner of the property at elevation 1,070 m (Figure 2 - 3,500 feet). This terrace is part of a much larger glacial deposit that rims the adjoining lakes and valleys at a similar elevation.

The property is forest-covered with black spruce and moss on wet, north-facing slopes; thick tangles of alder and willow on wet, south-facing slopes; and pine and white spruce on dry hilltops and southwest facing slopes. Less than five percent of the property has natural bedrock exposures. Soil geochemical surveys in the vicinity of known bedrock mineralization returned highly anomalous values. These results demonstrate that soils on the property are sufficiently mature to reflect bedrock mineralization, when present.

PROPERTY HISTORY

The Hulse Lake area has seen more or less continuous exploration activity since the early 1950's. Early work focused on the plus 1 million tonnes McMillan zinc-lead-silver sulphide deposit owned by Asarco Exploration Co. of Canada Ltd. (50%) and Noranda Inc. (50%). Later work continued on the McMillan deposit and mineral occurrences on adjoining claim blocks. The HYLAND property is 4 km east of the McMillan deposit.

Work programs on and in the immediate vicinity of the HYLAND property are summarized below:

1954	Staked as the SN claims by Liard River Mining Company Ltd. Work program: geological mapping, hand trenching, soil sampling, EM surveys.
------	---

1973 Staked as the PORKER claims by Hyland Joint Venture (Marietta Resources International Limited, Mitsubishi Metal Corporation and Messrs. Landon T. Clay and Harris Clay). Work program: detailed geological mapping, prospecting, grid soil sampling, gravity surveys (Archer, 1973; Cathro, 1973).

1975 Hyland Joint Venture work program: gravity surveys and four diamond drill holes totalling 303 m. The drill holes were collared 600 m off the northeast corner of the present day PIGLET claims (Cathro, 1975). Cost of 1973-1975 programs = \$300,000.

1981- Kidd Creek Mines Ltd. staked the CUZ and QUIVER
1982 claims. These claims bordered the PORKER claims on three sides. Work program: geological and geochemical surveys.

1984 Re-staked as the PIGLET claims by Archer, Cathro & Associates (1981) Limited.

Archer, Cathro & Associates (1981) Limited work program: prospecting, geological mapping, soil geochemical surveys (Carne, 1985). Cost of 1984 program = \$25,000.

1986 Silverquest Resources Ltd. retained J.P. Franzen, P.Eng. to report on and recommend a work program for PIGLET 1-32 quartz claims (Franzen, 1986).

Archer, Cathro & Associates (1981) Limited acquired QUIVER 1-12 quartz claims and vended the claim package to Silverquest Resources Ltd.

Silverquest Resources Ltd. work program: grid layout and detailed grid geochemical soil sampling (Carne and Halleran, 1986). Cost of 1986 program = \$70,000

1987 The Hyland Gold Joint Venture (Silverquest Resources Ltd., Novamin Resources Inc. and NDU Resources Ltd.) was formed to further explore the HYLAND property. Work program: road construction, grid work and bulldozer trenching (Dennett and Eaton, 1987). Cost of 1987 program = \$320,000.

REGIONAL GEOLOGY AND MINERALIZATION

As noted in a previous section, bedrock exposure in the Hulse Lake area is poor. As a result, the area has received only minimal attention from the Geological Survey of Canada (Gabrielse and Blusson, 1968). Carne (1985) reports that the area is underlain by interbedded phyllite, grit, quartz-feldspar pebble conglomerate and minor limestone of the Hadrynian "Grit Unit" and Lower Cambrian "Phyllite Unit". The structural geology is poorly understood because of poor outcrop and the lack of marker horizons. The stratigraphy has been intruded and domed by a number of aligned mid-Cretaceous to Tertiary granitic bodies. Just northeast of Hulse Lake, rocks are thermally metamorphosed, presumably above an unroofed granitic body, to garnet-staurolite schist. Elsewhere the metamorphic grade is low.

The McMillan deposit is 4 km west of the PIGLET property (Figure 1). Vaillancourt (1982) reports drill indicated reserves totalling 1.5 million tonnes grading 6.6% Zn, 5.5% Pb and 102 g Ag/tonne. The massive sulphide mineralization is hosted by Hadrynian to Cambrian sedimentary rocks. Mineralization is both stratiform and discordant. Siderite is a common gangue mineral. Arsenopyrite mineralization forms an irregular halo around the deposit. Most recent data support a hydrothermal replacement origin for the deposit.

PROPERTY GEOLOGY

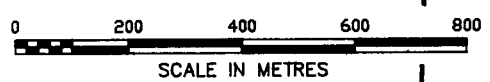
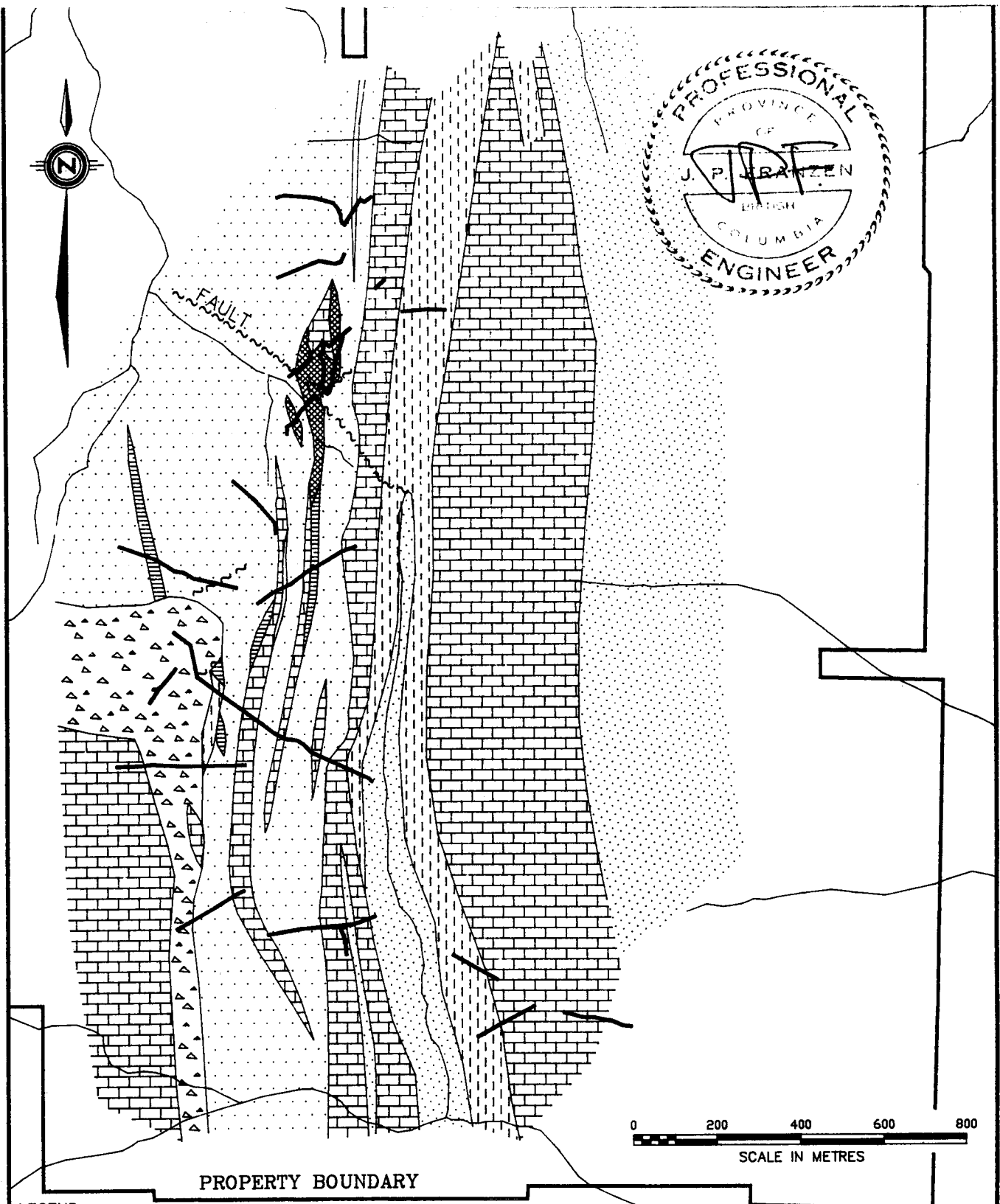
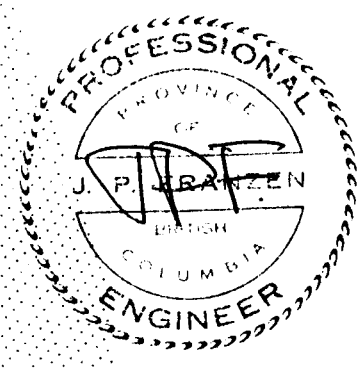
The HYLAND property covers a series of north-trending, steep, fault-bounded panels of weakly metamorphosed quartzite, limestone and phyllite (Figures 3 and 4). Compositional layering within individual panels is moderately to steeply inclined and faces both east and west (Dennett and Eaton, 1986). Faults commonly parallel compositional layering and often follow phyllitic horizons.

The HYLAND property structural succession is approximately 2500 m thick. Quartzitic rocks form local, positive bedrock features, whereas interlayered rocks (phyllite and carbonaceous limestone) and faults and lineaments tend to weather recessively resulting in poor bedrock exposure.









Two quartzite units are recognized (Figures 3 and 4). Hqu underlies the western flank of the property and consists of blocky weathering, tan, grey and pale green lithic, ortho and calcareous quartzites. Hqu contains fault bounded slices of limestone Hl and associated massive siderite ls and massive sulphide lm. A 400 m wide and 2500 m long gold-arsenic-bismuth soil geochemical anomaly is centered on Hqu.

Hgr forms the eastern flank of the property and consists of dark grey to buff, poorly sorted quartz and feldspar grits. Thinly laminated phyllitic rocks are common within both quartzite units.

Two large panels of dark grey, fissile limestone Hl separate the quartzite units. The central limestone panel contains fault-bounded slices of Hgr and thinly laminated grey, black and green phyllites Hph. The western limestone panel is cut and bordered by a 1300 m by 100 m zone of quartzite-tourmaline-limonite breccia. Topographic lineaments and faults border the breccia zone.



LEGEND:

- | | | | |
|---|-----|---------------------------------------|---|
|  | Hl | DARK LIMESTONE |  |
|  | Ls | SIDERITE | |
|  | Lm | MASSIVE SULPHIDE | |
|  | Hph | PHYLLITE | |
|  | Hqu | ORTHOQUARTZITE | |
|  | Hgr | GRITTY QUARTZITE | |
|  | Bx | QUARTZITE-TOURMALINE-LIMONITE BRECCIA | |

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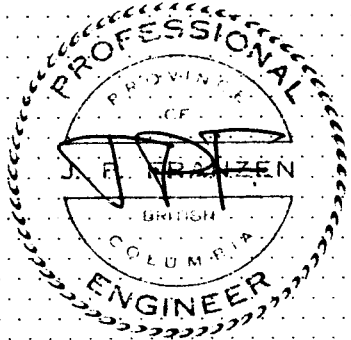
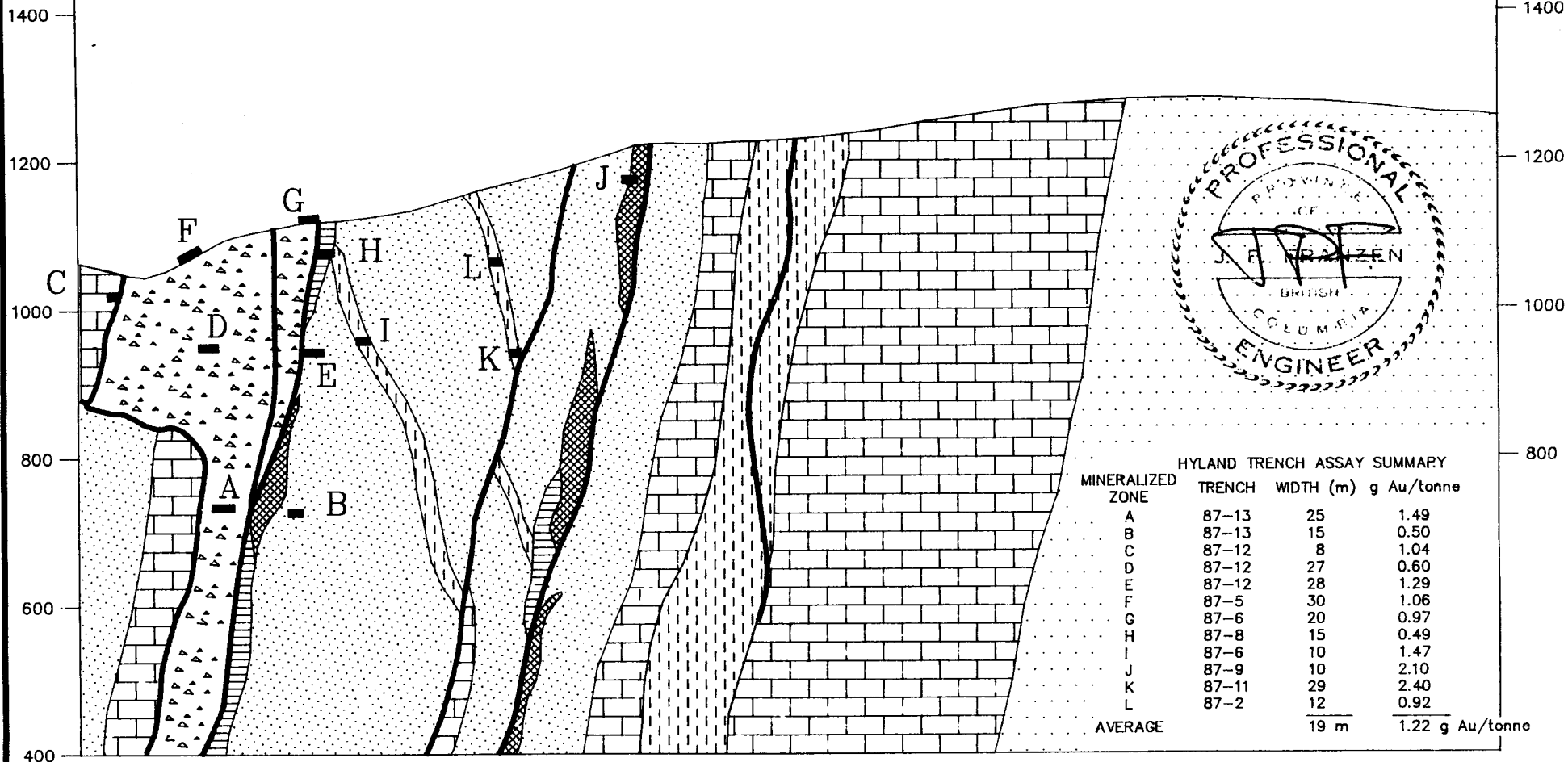
GEOLOGY PLAN

DATE: MAY, 1988
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FIGURE No. 3

WEST

EAST



HYLAND TRENCH ASSAY SUMMARY

MINERALIZED ZONE	TRENCH	WIDTH (m)	g Au/tonne
A	87-13	25	1.49
B	87-13	15	0.50
C	87-12	8	1.04
D	87-12	27	0.60
E	87-12	28	1.29
F	87-5	30	1.06
G	87-6	20	0.97
H	87-8	15	0.49
I	87-6	10	1.47
J	87-9	10	2.10
K	87-11	29	2.40
L	87-2	12	0.92
AVERAGE		19 m	1.22 g Au/tonne

- LEGEND:
- HI DARK LIMESTONE
 - Ls SIDERITE
 - Lm MASSIVE SULPHIDE
 - Hph PHYLLITE
 - Hqu ORTHOQUARTZITE
 - Hgr GRITTY QUARTZITE
 - Bx QUARTZITE-TOURMALINE-LIMONITE BRECCIA

- INTERNAL FAULT
- TRENCH GOLD MINERALIZATION

NOTE 1: LITHOLOGIC CONTACTS DEFINED BY FAULTS.
 NOTE 2: TRENCH GOLD MINERALIZATION PROJECTED ONTO SECTION FOR ILLUSTRATIVE PURPOSES ONLY.



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HYLAND GOLD PROPERTY
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GEOLOGY - SCHEMATIC VERTICAL CROSS SECTION

DATE: MAY, 1988
 BY: J.P.FRANZEN, /rwr

FIGURE No.4

PROPERTY GEOCHEMISTRY

Early reconnaissance soil geochemical surveys on the western flank of the HYLAND property outlined a cluster of gold and arsenic anomalies along a 2000 m long and 500 m wide trend (Franzen, 1986). Detailed geochemical surveys (Carne and Halleran, 1986) in the same area supported the original work and defined a 2500 m long and 400 m wide zone with anomalous gold, arsenic and bismuth values (Figure 5 and Table 1). This zone is on a relatively well-drained and frost free, west-facing slope and is underlain by quartzite Hqu. Glacial cover delimits the anomaly to the north and west.

Extension of the soils grid to the eastern quartzite panel Hgr outlined a more erratic and less intense geochemical response for gold (Figure 6) and arsenic; bismuth values are only weakly anomalous. This weak geochemical signature may indicate a second less intense mineralizing system or a poor sampling environment on the frozen and heavily vegetated east-facing slope.

TABLE I
Hyland Soils Geochemistry Statistical Summary
(Based on 1984 and 1987 Soil Survey Results)

<u>Element</u>	<u>Background</u>	<u>Anomalous</u>	<u>Strongly Anomalous</u>	<u>Peak Values</u>
Gold (ppb)	10	25	50	1,730
Arsenic (ppm)	100	200	400	10,000
Bismuth (ppm)	2	4	10	546




PROPERTY MINERALIZATION

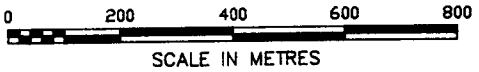
The 1987 bulldozer trenching program focused on the geochemically anomalous zone along the western flank of the property (Figure 5). It consisted of 4125 linear m of excavation to bedrock in 22 trenches and 3000 linear m of excavation in trenches that did not reach bedrock. All trenches that reached bedrock were sampled by continuous 5 m chisel and



PROPERTY BOUNDARY

LEGEND:

-  25 - 50 p.p.b. GOLD
-  >50 p.p.b. GOLD
-  BULLDOZER TRENCH



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HYLAND GOLD PROPERTY

WATSON LAKE MINING DISTRICT, Y.T.

NTS: 95 D/12

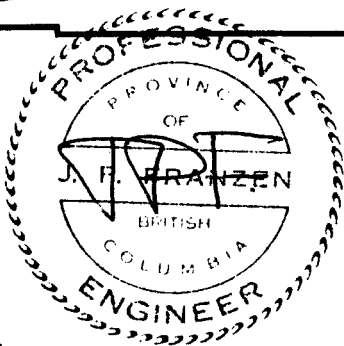
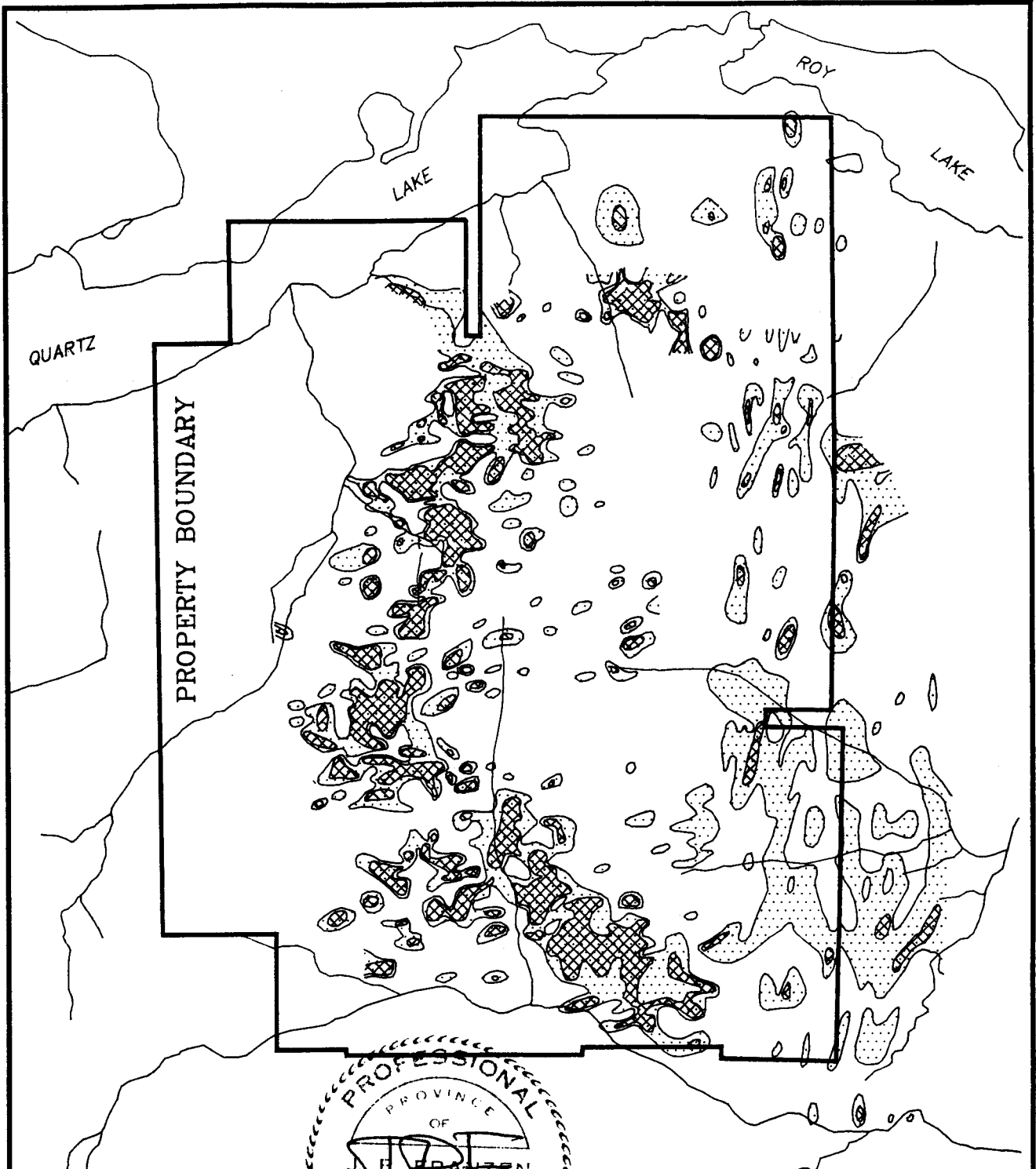
WESTERN ZONE

GOLD IN SOILS GEOCHEMISTRY



DATE: MAY, 1988


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FIGURE No. 5



LEGEND:

-  25 - 50 p.p.b. GOLD
-  >50 p.p.b. GOLD

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HYLAND GOLD PROPERTY	
WATSON LAKE MINING DISTRICT, Y.T.	NTS: 95 D/12
PROPERTY GOLD IN SOILS GEOCHEMISTRY	
	
SCALE IN METRES	

DATE: MAY, 1988
 BY: J.P.FRANZEN/rwr
 FIGURE No. 6

hammer channels along the trench floor (Dennett and Eaton, 1987). Assay certificates are included in the Dennett and Eaton 1987 report. Mineralized zones with significant assay results are shown on Figure 7. For illustrative purposes the stratigraphic and structural setting of each mineralized trench is shown on Figure 4.

The trenching program identified five styles of structurally-controlled sediment-hosted gold mineralization in the main anomaly area.

(1) Siderite Lodes with Pyrite and Arsenopyrite

Lenses of massive to banded siderite and manganiferous iron oxide, after siderite, occur along steep limestone and lineament-fault contacts. Disseminated to massive pyrite and lesser arsenopyrite are associated with the siderite lenses up to 500 m long and 40 m wide. Gold values in siderite and sulphide are elevated relative to the enclosing wallrocks. Detailed trench channel sampling returned the following results:

<u>Lithology</u>	<u>Trench</u>	<u>True Width(m)</u>	<u>g Au/tonne</u>
Siderite	87-4	15	0.17
Siderite	87-4	15	0.21
Siderite	87-8	15	0.49
Sulphide	87-9	25	0.86
Sulphide	87-16	25	0.34
Sulphide	87-20	20	0.13

This style of mineralization is not unlike that found at the Canamax Resources Inc. Ketz River gold deposit near Ross River, Yukon Territory where ore grade mineralization is flanked by barren, massive siderite lenses. Mineable reserves at the Ketz mine total 461,000 tonnes at an average grade of 15.3 g Au/tonne (Canadian Mines Handbook, 1987-1988).

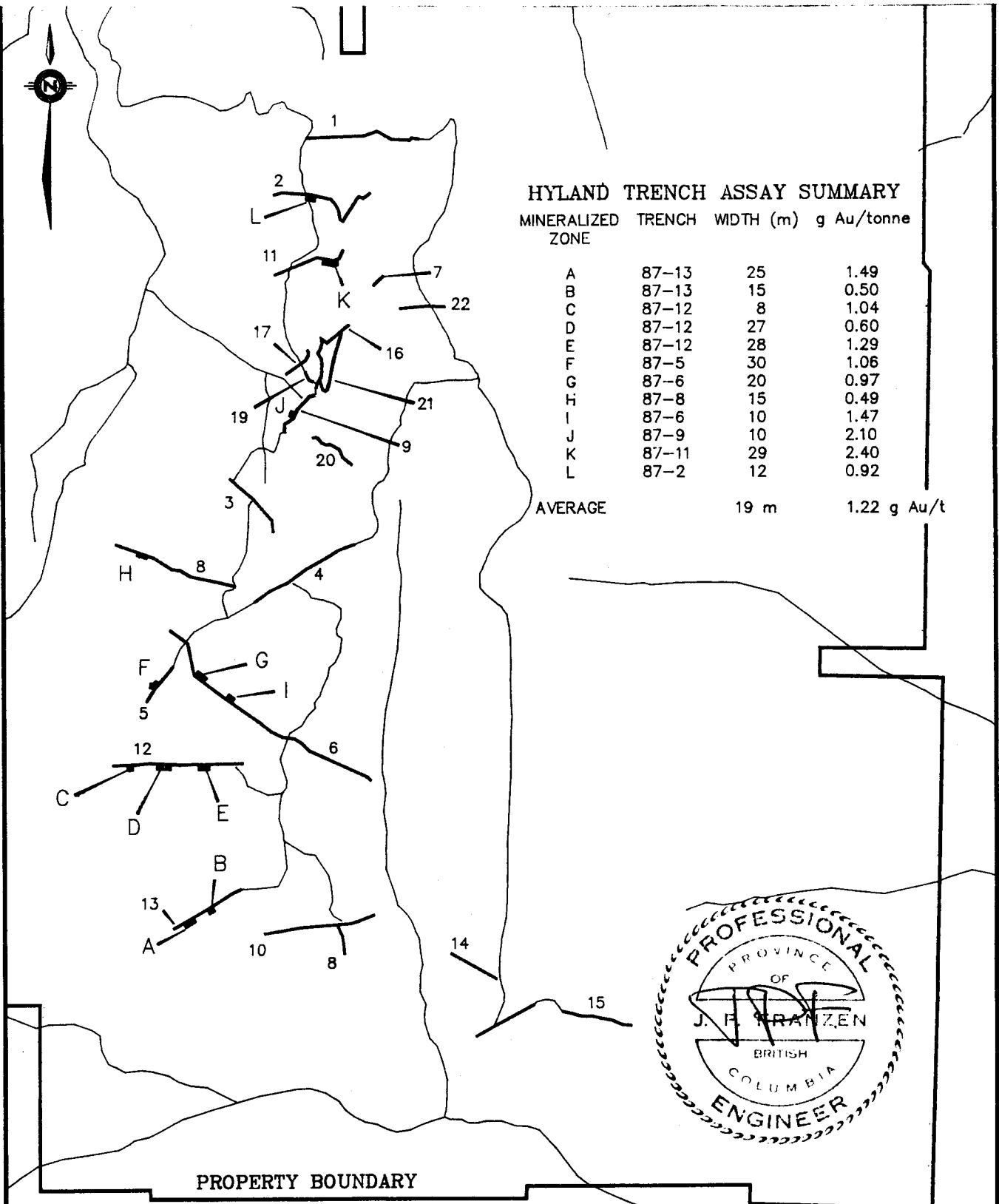


HYLAND TRENCH ASSAY SUMMARY

MINERALIZED TRENCH WIDTH (m) g Au/tonne
ZONE

A	87-13	25	1.49
B	87-13	15	0.50
C	87-12	8	1.04
D	87-12	27	0.60
E	87-12	28	1.29
F	87-5	30	1.06
G	87-6	20	0.97
H	87-8	15	0.49
I	87-6	10	1.47
J	87-9	10	2.10
K	87-11	29	2.40
L	87-2	12	0.92

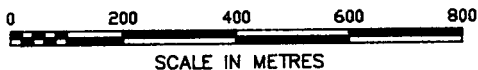
AVERAGE 19 m 1.22 g Au/t



PROPERTY BOUNDARY

LEGEND:

14 BULLDOZER TRENCH



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HYLAND GOLD PROPERTY

WATSON LAKE MINING DISTRICT, Y.T.

NTS: 95 D/12

TRENCH ASSAY PLAN

DATE: MAY, 1988

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FIGURE No. 7

(2) Silicification with Pyrite and Arsenopyrite

Quartzitic wall rocks often display irregular areas of silicification (Franzen, 1986). The degree of alteration ranges from weak silicification to complete replacement by chalcedony. The latter is often accompanied by finely disseminated pyrite. The 1987 program did not return any significant gold values.

(3) Narrow Veins with Pyrite and Arsenopyrite

Pyrite and arsenopyrite occur with yellow limonite, scorodite and rarely jamesonite and malachite in narrow veins. These veins are widespread and parallel major faults but lack known lateral continuity. Grab samples of scorodite-stained quartz from Trench 87-4 and Trench 87-6 returned gold values ranging from background to 18.17 g/tonne. A jamesonite sample assayed 3.91 g Au/tonne and 4.65 g Ag/tonne.

(4) Quartzite - Tourmaline - Limonite Breccia

An extensive zone of mineralized quartzite breccia underlies the south end of the main geochemical anomaly. Two styles of quartzite breccia mineralization are recognized. An upright fault-bounded, 800 m long panel is parallel to compositional layering. It consists of a 20 m to 30 m wide stockwork zone with a 5 m to 10 m wide strongly fractured core. Panel mineralization grades into a 300 m by 400 m breccia pipe. Two strong faults define the east side of the pipe; to the west it extends under deep till.

Mineralization typically consists of 0.5 cm to 2 cm angular white quartzite fragments in a brown limonite-hematite \pm scorodite groundmass and/or stockwork. Patches of fine-grained, pale green tourmaline and minor pyrite replace original quartz grains which are in turn cut by brecciated quartz veinlets.

Quartzite breccia mineralization contains anomalous levels of arsenic (5,500 to 10,000 ppm), bismuth (35 to 800 ppm), antimony (30 to 300 ppm) and silver (8 to 35 ppm). There is no direct correlation between limonite and gold values. Detailed trench channel sampling returned the following results:

<u>Breccia Lithology</u>	<u>Trench</u>	<u>True Width(m)</u>	<u>g Au/tonne</u>
Pipe	87-5	30	1.06
Pipe	87-6	20	0.97
	including	10	1.72
Panel	87-12	27	0.60
Panel	87-13	50	0.79
	including	25	1.49
	including	10	3.48

Detailed sampling at Trench 87-12 demonstrates that wallrocks immediate to the quartzite-tourmaline-limonite breccia zone contain significant gold mineralization. Limestone on the western breccia contact returned 1.04 g Au/tonne over 8 m; quartzite on the eastern contact assayed 1.29 g Au/tonne over 28 m.

The quartzite breccia system is an attractive bulk tonnage gold exploration target.

(5) Graphitic Shear Zones

Graphitic shear zones were observed in Trenches 87-2 and 87-11. They consist of steeply inclined shear zones that follow graphitic phyllite horizons in quartzite. The shear zones are surrounded by envelopes of quartz-pyrite-tourmaline alteration. Alteration and gold grade within these zones decrease with distance from a main north-trending fault structure. Detailed trench channel sampling returned the following results:

<u>Trench</u>	<u>Width (m)</u>	<u>g Au/tonne</u>	<u>Distance From Main Structure (m)</u>
87-2	12	0.92	60
87-11	15	2.40	15
including	8	4.47	
including	1	12.70	

Graphitic horizons are commonly a key ore control in sediment-hosted, structurally-controlled gold deposits.

CONCLUSIONS AND RECOMMENDATIONS

Detailed grid soil surveys and a bulldozer trenching program at the HYLAND property have defined an extensive structurally-controlled, sediment-hosted, gold bearing hydrothermal system.

Work to-date has focused on the western flank of the system where the mineralized zone is 2,500 m long and 400 m wide. Soils overlying the zone are strongly anomalous in gold, arsenic and bismuth. A parallel gold-arsenic anomaly defines the eastern flank of the system. This anomaly has not been explored.

A systematic bulldozer trenching program on the western anomaly identified several styles of structurally controlled gold mineralization in an upright, 750 m thick structural succession. Twelve trench channel samples from the anomaly area returned an average grade of 1.22 g Au/tonne over an average width of 19 m. Narrow higher grade intervals commonly core the mineralized zones.

Completed work program have not established geological continuity between the mineralized trenches. For this reason the writer focused on the widespread occurrence of gold mineralization rather than a detailed description of individual trenches. The intent of the recommended program is to better define with bulldozer trenching, geophysics and diamond drilling the areas between the mineralized trenches. This program will test continuity of gold mineralization at the subject property.

The widespread, low-grade gold mineralization and associated geochemical signature at HYLAND are not unlike that in established western United States bulk tonnage, precious metals districts. Accordingly, the writer recommends a two-stage program to further assess the fault and sediment-hosted precious metals potential of the HYLAND property. The first stage would include fill-in bulldozer trenching, VLF-EM-RESISTIVITY surveys and a diamond drill program on the western anomaly. Priority targets include the quartzite - tourmaline - limonite breccia, siderite lodes with pyrite and arsenopyrite and graphitic shear zones. A VLF-EM-RESISTIVITY survey over the eastern anomaly would trace fault structures through this overburden covered area and identify areas of intense silicification and favourable carbonaceous zones and horizons.

Contingent on positive results, Stage 2 should include additional diamond drilling to properly define the zones of interest identified by Stage 1 work.

COST ESTIMATE

Stage 1

VLF-EM-RESISTIVITY SURVEY	\$ 12,000
BULLDOZER TRENCHING - 600 hours	105,000
DIAMOND DRILLING - 2,000 m	266,000
CAMP SUPPORT	50,000
CAMP LABOUR	45,000
SUPERVISION	65,000
EQUIPMENT	20,000
AIRCRAFT SUPPORT	20,000
ASSESSMENT FEES	2,000
TRANSPORTATION	10,000
FREIGHT	10,000
REPORT	15,000
<u>CONTINGENCIES @ 10%</u>	<u>62,000</u>
 STAGE 1 TOTAL	 \$ 682,000

Stage 2 (Contingent on Results of Stage 1)

DIAMOND DRILLING - 5,000 m	\$ 665,000
METALLURGICAL TESTWORK	25,000
SUPERVISION, SUPPORT, TRANSPORTATION, CAMP, REPORT ETC.	<u>250,000</u>
 STAGE 2 TOTAL	 \$ 940,000

GRAND TOTAL STAGES 1 AND 2 \$1,622,000

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