

MAP NO.: PLACER ASSESSMENT REPORT X
116 C 02 PROSPECTUS CONFIDENTIAL X
OPEN FILE

DOCUMENT NO: 12002/
MINING DISTRICT: Dawson
TYPE OF WORK: Geological Survey

REPORT FILED UNDER: Kostem Resources

DATE PERFORMED: Sept. 18, 22 - 23, 1982 DATE FILED: Oct. 18, 1982

LOCATION: LAT.: 64° 05'N AREA: Little Gold Creek
LONG.: 140° 56'W VALUE \$: 1,650.00

CLAIM NAME & NO.: Placer Claims T1 - T8
Grant No. P14700 - P14707

WORK DONE BY: Gordon R. Hilchey

WORK DONE FOR: Kostem Resources (Finning Tractor and Equipment & Equipment Company Limited)

DATE TO GOOD STANDING:

REMARKS: LITTLE GOLD CREEK, SIXTY MILE AREA

REPORT ON
PLACER CLAIMS T1-T8
GRANT NO.S P-14700 - P-14707
LITTLE GOLD CREEK, SIXTY MILE AREA
DAWSON MINING DISTRICT
YUKON

Latitude 64°05'N
Longitude 140°56'W

Map Sheet 116·C·2

Prepared For:

KOSTEM RESOURCES

On Behalf Of:

FINNING TRACTOR AND EQUIPMENT &
EQUIPMENT COMPANY LIMITED.

File No. 4064
1982 September 28

Gordon R. Hilchey, P.Eng.

Received Oct. 18/82

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INTRODUCTION

A survey of the claims was undertaken on instructions from David Horner of Finning Tractor & Equipment Company Limited, the holder of a lien against the property. A reconnaissance was made of the property on September 18, 1982, and the survey was made on September 22 and 23.

The survey was carried out by short traverses off the claim lines which were used as base lines. The English system of units has been used because the Yukon Placer Act has not yet been amended to conform to the metric system.

LOCATION AND ACCESS

The property lies at the head of Little Gold creek, in the Sixty Mile river area of the Yukon Territory at Lat. 64°05'N, Long. 140°56'W. Little Gold creek flows into Big Gold creek which, in turn flows into the Sixty Mile river. The property lies about forty-five airline miles west of Dawson and about two miles east of the Alaska boundary. The elevation of the property is about 3100 feet above sea level.

Access from Dawson is by Highway No. 9 to kilometer post 102 which lies about half-a-mile north of the west end of the property. There is no road or trail from the highway to the property. Alternatively the property can be reached by following a mining road about 3 1/2 miles up Little Gold creek and thence by 'dozer trail for 2 1/2 miles to the property. The 'dozer trail is not passable to wheeled vehicles.

PROPERTY

The property consists of eight placer claims T1-T8, Grant No.s P-14700 - P-14707 inclusive. The recorded owner is KOSTEM RESOURCES LTD. Replacement tags were affixed to the claim posts on September 21. The claim lines are well cut out.

TOPOGRAPHY, VEGETATION, AND LOCAL CONDITIONS

The valley bottom of Little Gold creek on the property averages about seventy-five feet in width. Some of the lower slopes of the sides of the valley range from five to ten degrees. Away from the valley bottom, however, the slopes range from 25° to 30°. The bedrock surface on the sides of the valley is covered with colluvium (commonly referred to as "slide") which consists of angular rock fragments and a variable amount of fine material. Since the area has not been glaciated, the colluvium is mostly derived from the up-slope bedrock. The stream is no longer eroding or transporting material and the colluvium extends from the slopes over most of the valley floor.

Part of the valley-floor colluvium is silt-sized material locally called "muck". Muck consists of loess (wind-borne material) with highly variable amounts of rock fragments, organic material, and ice. Thickness of muck on the property varies from one or two feet up to possibly four or five feet. The ground surface in the valley bottom is covered with a dense growth of moss and willows. The lower sides of the valley are covered with small spruce trees and a dense undergrowth of moss, berry bushes, and other varieties of shrubs and small plants. The tree line is about 3500 feet elevation (below the level of the highway).

The area is perennially frozen to considerable depth (permafrost). There is no local information on the depth of permafrost, but elsewhere in the west central Yukon the permafrost exceeds 100 feet in depth. The permafrost is not continuous in this part of the Yukon and often the near-surface material, once it is thawed, does not revert to permafrost. Seasonal freeze-back can, however, exceed eight feet.

The area is one of warm, moderately dry summers and very cold winters. Snow usually comes about the first of October and the ground should be bare of snow by some time in May. There is no darkness from early May until about the first of August. The creek has a grade of 4 1/2% at the lower end of the property but becomes steeper above claim T-4 and is about 10% on claim T-8. The creek heads in a number of springs on the upper claims. Some water enters Little Gold from minor tributaries on claims T-3 and T-5. The volume of water flowing at the time of examination at the lower end of the property was estimated to be somewhat less than one cubic foot per second. The volume of flow decreased going upstream and on claim T-6 it had dropped to about half that.

GEOLOGY AND MINERALIZATION

The area of the claims is underlain by rocks of the Klondike schists. These rocks are poorly exposed on the claims. In fact, the only exposure observed is in the 'dozer pit on claim T-7. The rock is a tan-weathering quartz-sericite schist. There is some weak hydrothermal alteration and pieces of vein-quartz were observed on the spoil pile. The bedrock was too badly slumped to take a meaningful attitude.

Pieces of vein quartz were observed in the overburden at several places on the property. One piece along the dozer trail near the upper end of claim T-3 contained pits filled with limonite which was undoubtedly derived from the weathering of pyrite. No gold was observed but similar rock in the Klondike has been found to be gold bearing.

MINING HISTORY

The known productive gold placer deposits in the area occur in a series of southeast flowing creeks from Bedrock creek to the southwest to Hungry Gulch to the northeast and along the adjoining part of the Sixty Mile valley. Miller creek was discovered in 1893 and the other creeks soon after. There was considerable hand mining in the early days.

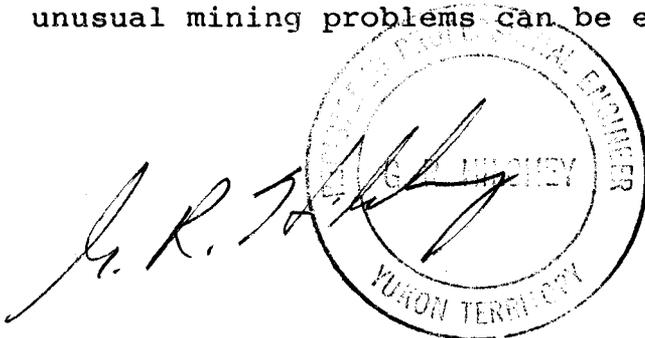
A dredge was put into operation on the Sixty Mile river in the early part of this century and a more modern dredge at the mouth of Big Gold creek in 1947. Mining with heavy equipment commenced in the area about 1948 or 1949 and has continued since then. The lower half of Little Gold creek has been mined with heavy equipment and there was one placer mine operating in late September, 1982, about 2 1/2 miles below the property. There appears to have been very little prospecting done above this mining operation and there is no evidence of any old work on the property.

During 1981 two pits were excavated on the property. The lower one, on claim T-2, is now slumped and partly filled with water. The results are unknown. The upper one, on claim T-7, was excavated on the lower part of the side hill. It passed through colluvium into slumped, partly weathered bedrock and was evidently too far from the valley floor to expose any gravel.

CONCLUSIONS

The property is in an area of known productive gold placer deposits and generally favourable geology. There is an active placer operation downstream within 2 1/2 miles of the property. The presence of vein quartz on the property with limonite-filled pits is considered to be encouraging. The author believes that some placer gold will be found on the property but the amount and average value is purely speculative. A number of prospect pits would be required to determine if workable gravels exist.

There is only a small volume of water in the upper part of Little Gold creek and water used in any gold recovery plant would have to be recirculated. Caution should be exercised when moving equipment on the upper claims. Very soft ground can be expected in the vicinity of the springs and there is a real risk of getting equipment stuck. Otherwise no unusual mining problems can be expected.

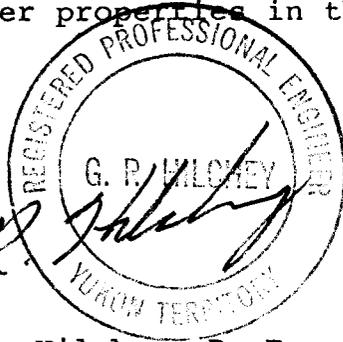
A circular professional engineer seal for the Yukon Territory. The outer ring contains the text "REGISTERED PROFESSIONAL ENGINEER" at the top and "YUKON TERRITORY" at the bottom. The inner circle contains the name "G. R. HILCHEY". A handwritten signature, which appears to be "G. R. Hilchey", is written across the seal.

Gordon R. Hilchey, P. Eng.
Bacon, Donaldson & Associates Ltd.

1982 September 28

STATEMENT OF QUALIFICATIONS

- 1) I am a graduate of the University of British Columbia in Geological Engineering (1942).
- 2) I am a graduate of the University of Alaska in Mining Engineering (1947).
- 3) I am a registered professional engineer in the Yukon Territory and the Province of British Columbia.
- 4) I have practiced my profession for more than twenty years including more than four years of experience on placer properties in the Yukon and elsewhere.

A circular professional seal for a Registered Professional Engineer in the Yukon Territory. The seal contains the name "G. R. HILCHEY" in the center and "YUKON TERRITORY" at the bottom. A handwritten signature, "G. R. Hilchey", is written across the seal.

Gordon R. Hilchey, P. Eng.

1982 September 28

ILLUSTRATIONS

Fig. 1 Location Map

Fig. 2 Claims

Fig. 3 Claims T-1 and T-2 (P-14700, P-14701)

Fig. 4 Claims T-3 and T-4 (P-14702, P-14703)

Fig. 5 Claims T-5 and T-6 (P-14704, P-14705)

Fig. 6 Claims T-7 and T-8 (P-14706, P-14707)

YUKON TERRITORY MINING DISTRICTS

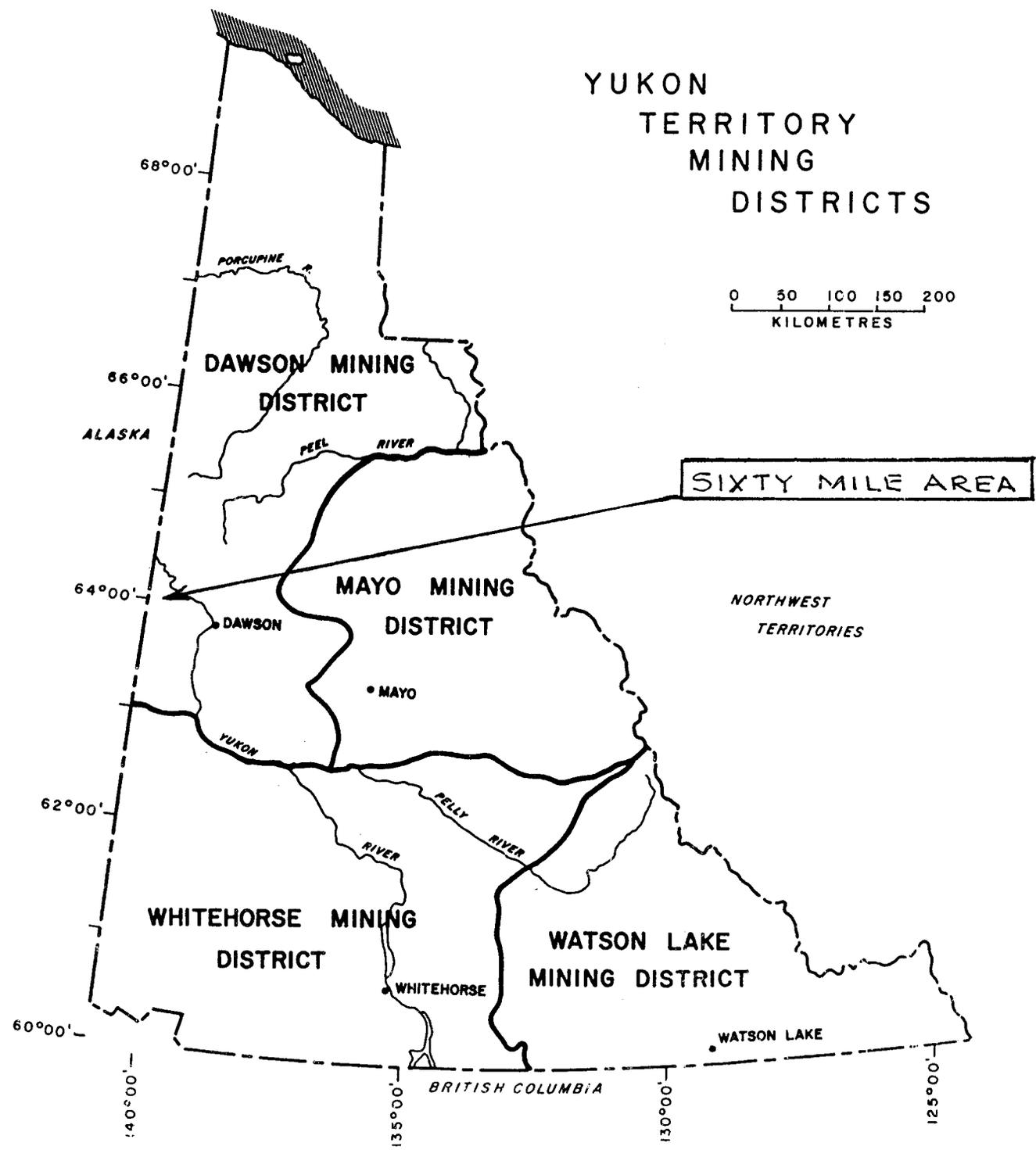


FIGURE 1
LOCATION MAP

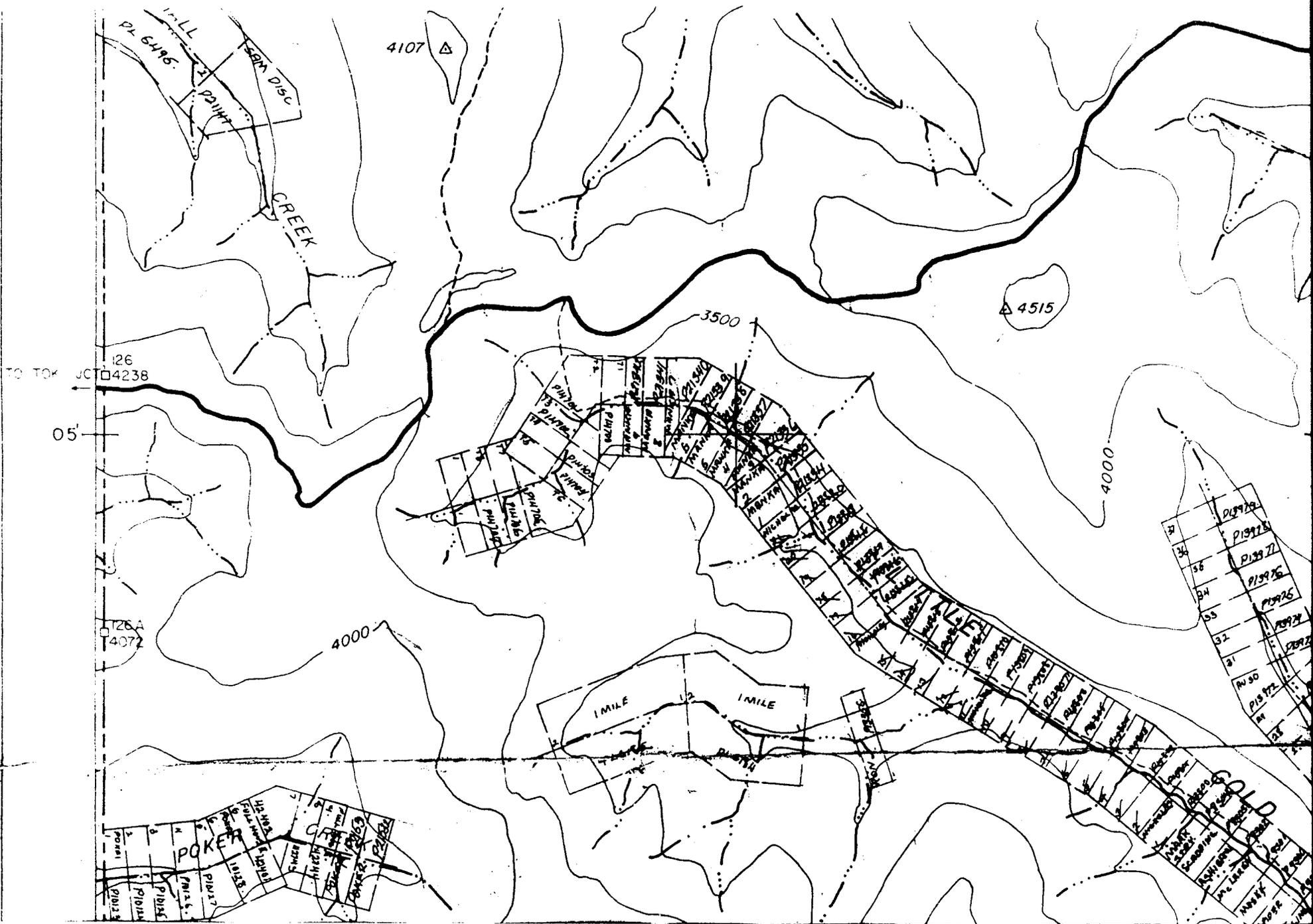
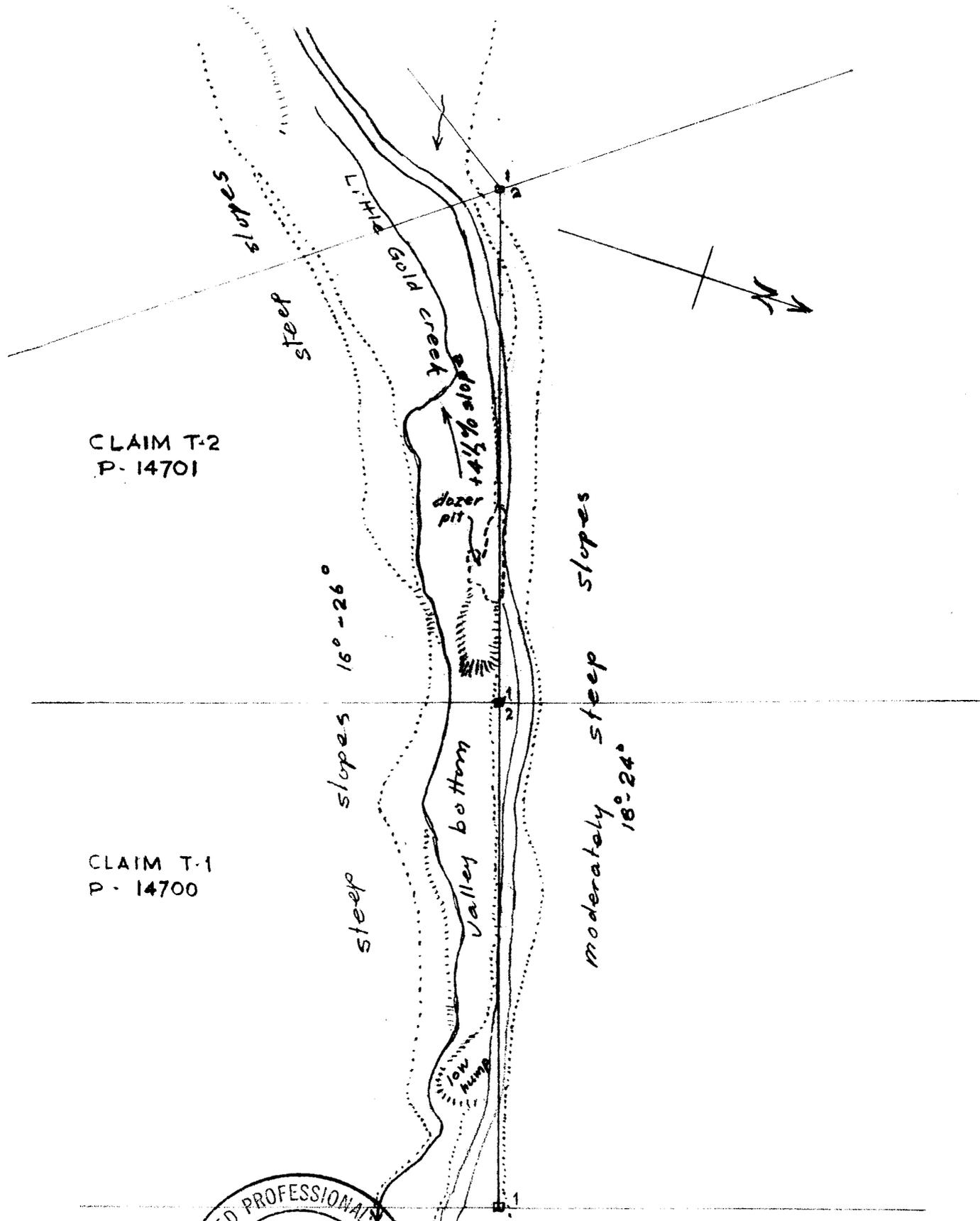


Figure 2

CLAIMS

Part of Map 116-C-2 Placer
Scale: 1 inch = 1/2 mile



CLAIM T-2
P-14701

CLAIM T-1
P-14700



FIG 3
CLAIMS T-1 and T-2
P-14700, P-14701

Scale: 1:1600
0 100 ft

CLAIM T-5
P-14704

CLAIM T-4
P-14703

CLAIM T-3
P-14702

CLAIM T-2
P-14701

steep slopes +26°

moderate slope +12°

steep slopes
18° - 20°

valley bottom
+ 5% slope

Vein quartz with limonite
filled vugs

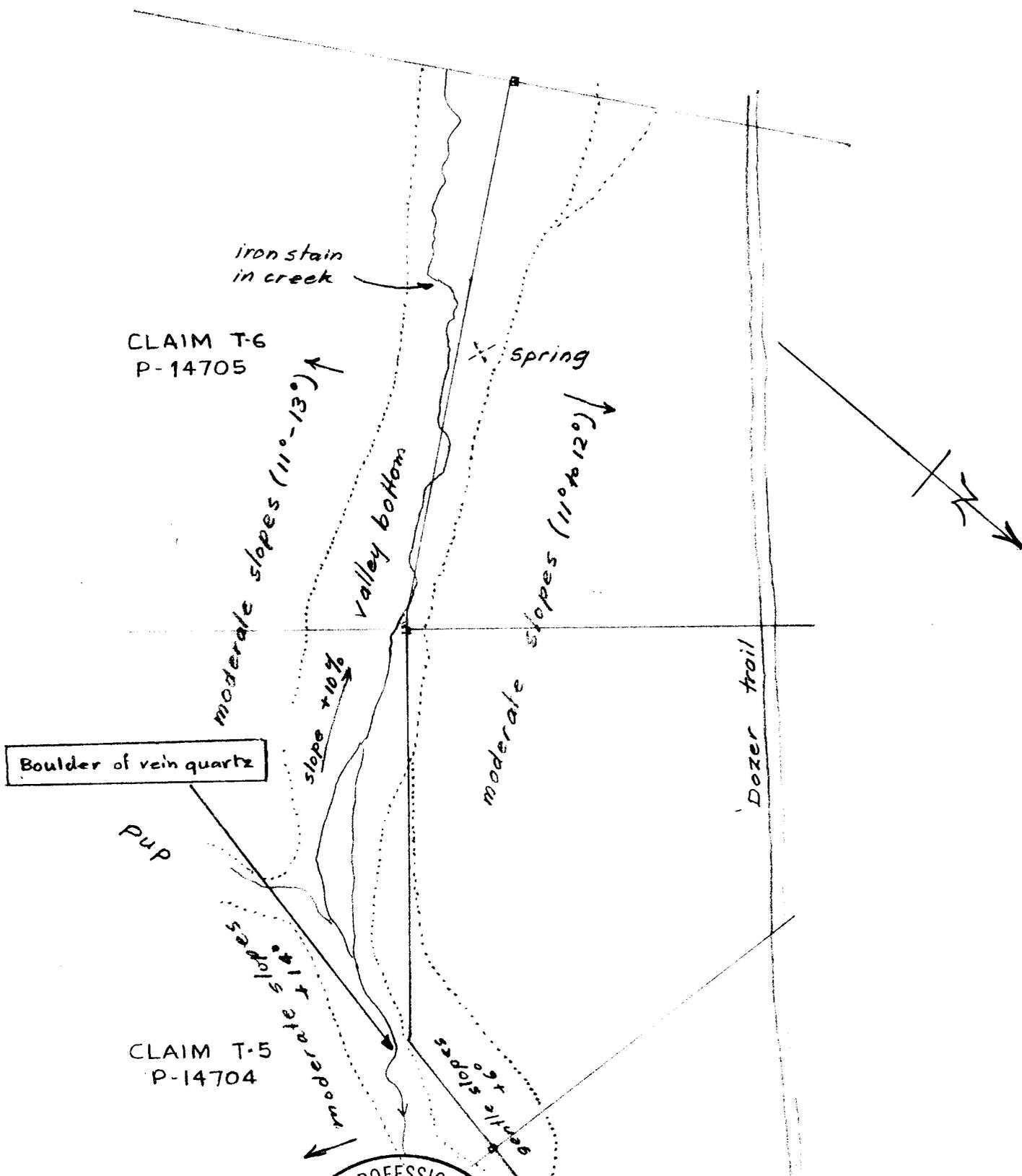
← Pup
slope +10%



FIG. 4
CLAIMS T.3 and T.4
P.14702, P.14703

Scale: 1:1600
0 100 feet

GRM



Boulder of vein quartz

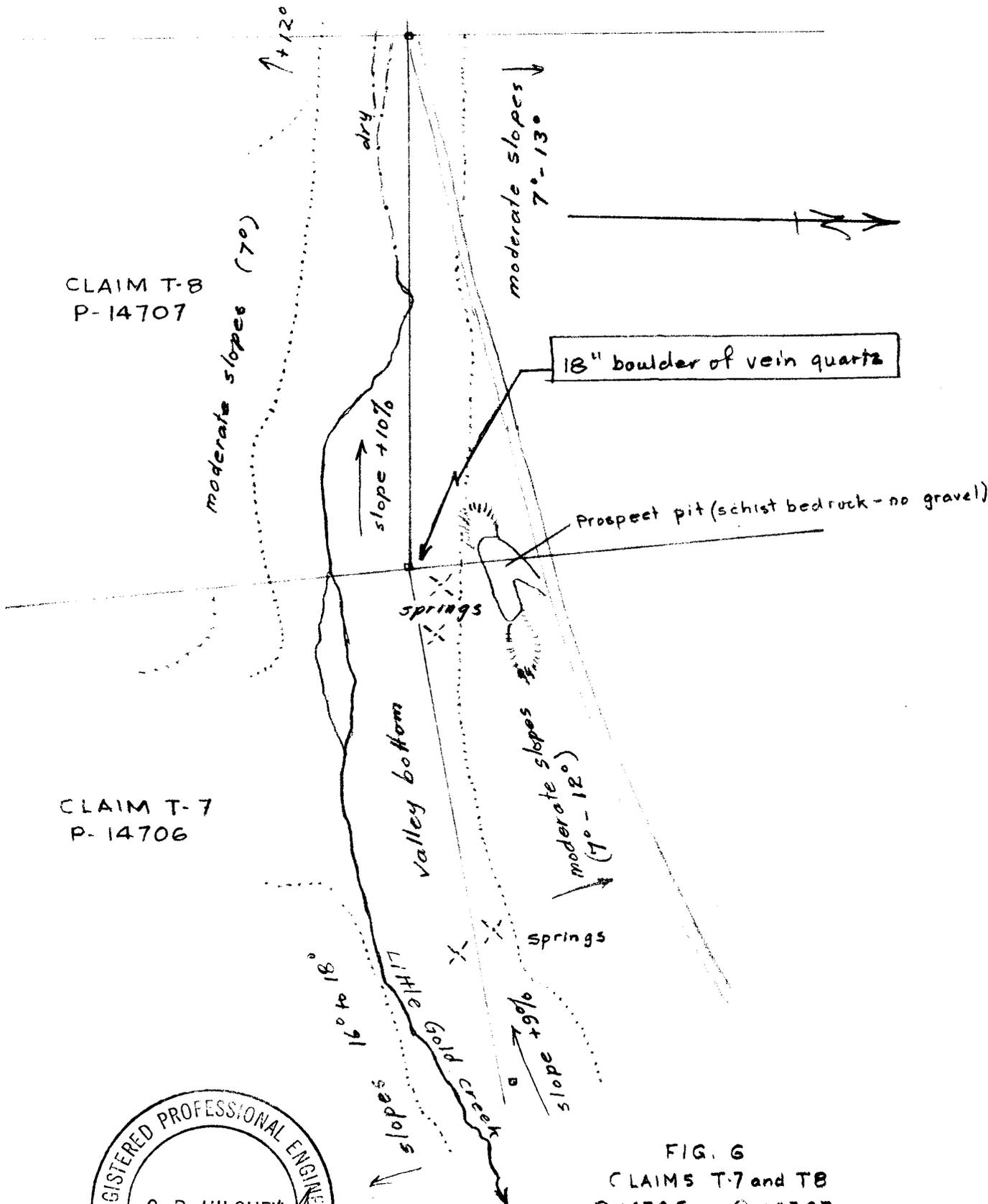
CLAIM T-6
P-14705

CLAIM T-5
P-14704



FIG. 5
CLAIMS T5 and T6
P-14704, P-14705

Scale 1:1,600
0 100 Ft



CLAIM T-8
P-14707

CLAIM T-7
P-14706

18" boulder of vein quartz

Prospect pit (schist bedrock - no gravel)

springs

valley bottom

Little Gold Creek

springs

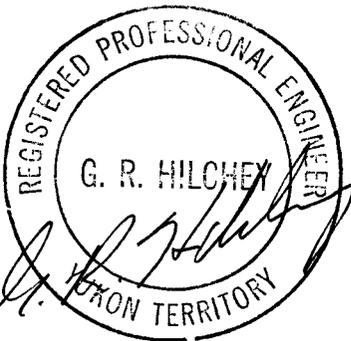


FIG. 6
CLAIMS T-7 and T8
P. 14706, P. 14707

Scale 1:1600
0 100 ft