

PROSPECTUS
May 14, 1987
121008

REPORT ON THE PLACER GOLD POTENTIAL

of the

SWEDE CREEK PROSPECT

Mayo, Yukon Territory

by

GORDON G. RICHARDS. P.ENG.

MAP No.
105m 13
115P 16

ASSESSMENT REPORT
PROSPECTUS
CONFIDENTIAL
OPEN FILE



DOCUMENT NO.: _____
MINING DISTRICT: MAVO
TYPE OF WORK: PLACER PROSPECTUS

REPORT FILED UNDER: Grander Resources Ltd.

DATE PERFORMED:

DATE FILED:

LOCATION	LAT.	<u>63°58'N</u>
	LONG.	<u>136°00'W</u>

AREA: Swede Creek

CLAIM NAME & NO.

PLACER CLAIMS
AND

RGA 0-15
P15555, 15556, 15519

VALUE \$

WORK DONE BY:

Gordon G. Richards

WORK DONE FOR:

Grander Resources Ltd.

REMARKS:

PLACER PROSPECTUS

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of the

SWEDE CREEK PROSPECT

Mayo, Yukon Territory

Placer claims: RGA #0 - #15, P15555, P15556, P15519
Mayo Mining Division

LATITUDE 63°58'N LONGITUDE 136°00'W
NTS 105M13, 115P16

PREPARED FOR: GRANDEX RESOURCES LTD.

by

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January 16, 1986

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INTRODUCTION

Placer gold production in the general area has occurred since 1898 or earlier. Dublin Gulch, 5 miles northeast of Swede Creek, has close to 20,000 ounces of recorded production. An 80 foot deep exploration shaft was sunk on lower Swede Creek many years ago according to people living in Mayo. It never reached bedrock and because of this the creek was ignored for a long time. Trenching and drilling by Canada Tungsten Mining Corporation Limited in 1980 and 1982 confirmed the existence of the deep gravels in a buried channel but also indentified a buried right limit bedrock bench with encouraging gold results. Depths to bedrock over this bench were determined to be generally less than fifteen feet. Preliminary trenching in 1986 confirmed the encouraging gold results but added no new information. All of this previous testing had problems in producing reliable gold grades because of the various sampling techniques used.

The author reviewed all available data, studied government of Canada aerial photographs and had conversations with people involved in the previous testing programmes in order to describe and interpret the results and make recommendations for further work. Bulk sampling aided by drilling is recommended in the shallow gold bearing gravels lying on the bedrock bench. A budget of \$648,000.00 is proposed.

PLACER CLAIMS

The placer property consists of nineteen placer claims, the RGA #0 to RGA #15 inclusive, which were staked on placer lease #6839 August 29, 1986 and three other claims, number P15555, P15519 and P15556, see Figure 2.

The RGA claims are owned by Grandex Resources Ltd. and have expiry dates of September 11, 1987. The three other claims are held by Grandex Resources Ltd. through an agreement with the owner and have expiry dates of June 11, 1987 for P15555 and P15556 and September 27, 1987 for P15519. Work contemplated in this report will be applied as assessment work to extend expiry dates. All of this information was confirmed by the Mining Recorder for the Mayo Mining Division by telephone on January 12, 1987.

LOCATION AND ACCESS

Swede Creek is a right limit tributary to Haggart Creek situated 25 miles north of Mayo in central Yukon Territory, see Figure 1. The property is accessible by about 40 miles of road from Mayo. A rough 4-wheel drive road runs up Swede Creek from its junction with Haggart Creek.

Mayo is linked to Whitehorse by 253 miles of good all-weather road and during the summer months by regularly scheduled air service.

TOPOGRAPHY AND VEGETATION

Swede Creek is an easterly to south easterly flowing right limit tributary of Haggart Creek which in turn flows into the South McQueston River. The valley bottom of Swede Creek is flat over three hundred to six hundred feet. Over the lower three thousand feet of the creek the right limit bank is steep and the left limit bank is gentle, an important feature in planning for the disposal of waste gravels prior to mining and tailings during mining. The upper 5,000 feet of Swede Creek has a gently sloping right limit bank and a steeply sloping left limit bank. Haggart creek valley bottom is 1,800 feet wide. There is little organic soil present, generally less than a foot, but dense buck brush with few conifers cover the valley floor. There are no natural outcrops except on steeper hillsides. Permafrost can be expected in most areas of the valley bottom.



Figure 1 - Property Location Map

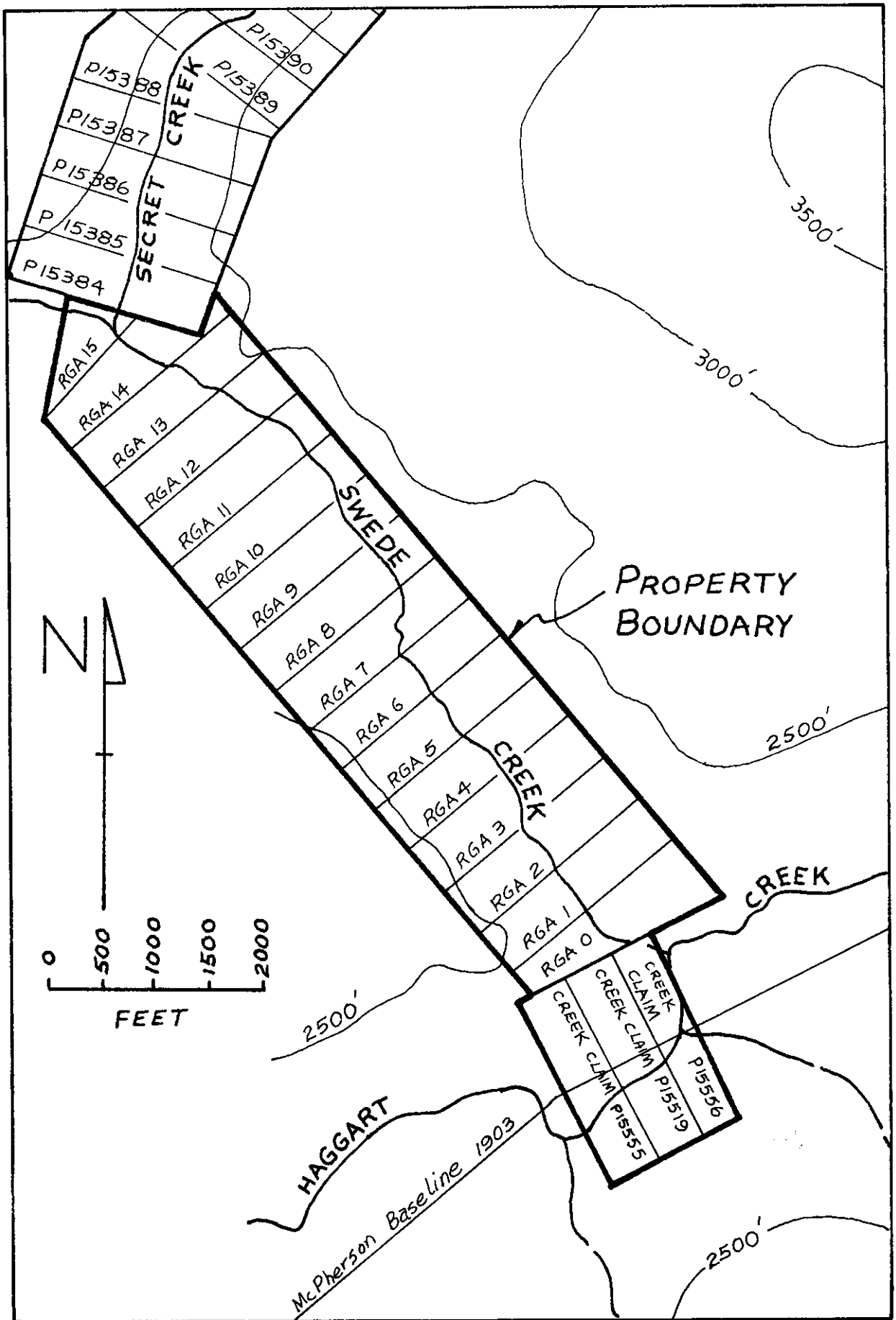


Figure 2 - Claim Map

GRANDEX RESOURCES LTD

SWEDE CK, Y.T.

PREVIOUS TESTING &
1987 PROPOSALS

Date: Jan 16, 1987 Figure No. 3
Drawn by: G Richards Scale 1:5000
Ruanco Enterprises Ltd



LEGEND

- 1986 trench
- 12 trench no. - depth to bedrock (ft)
+20,000 pos Au in heavy mineral separate
- 2 lack of 2nd no indicates
20,000 bedrock not reached
- 1982 drill hole
- 11-16 hole no. - depth to bedrock (ft)
- △ 1986 trench
- △ 11 sample no. (s) surface sample
(d) depth to bedrock (ft)
- base of steep slope
- - - base of gentle slope
- ⋯ proposed area for initial settling ponds
- - - proposed bedrock drain
- - - proposed trenches

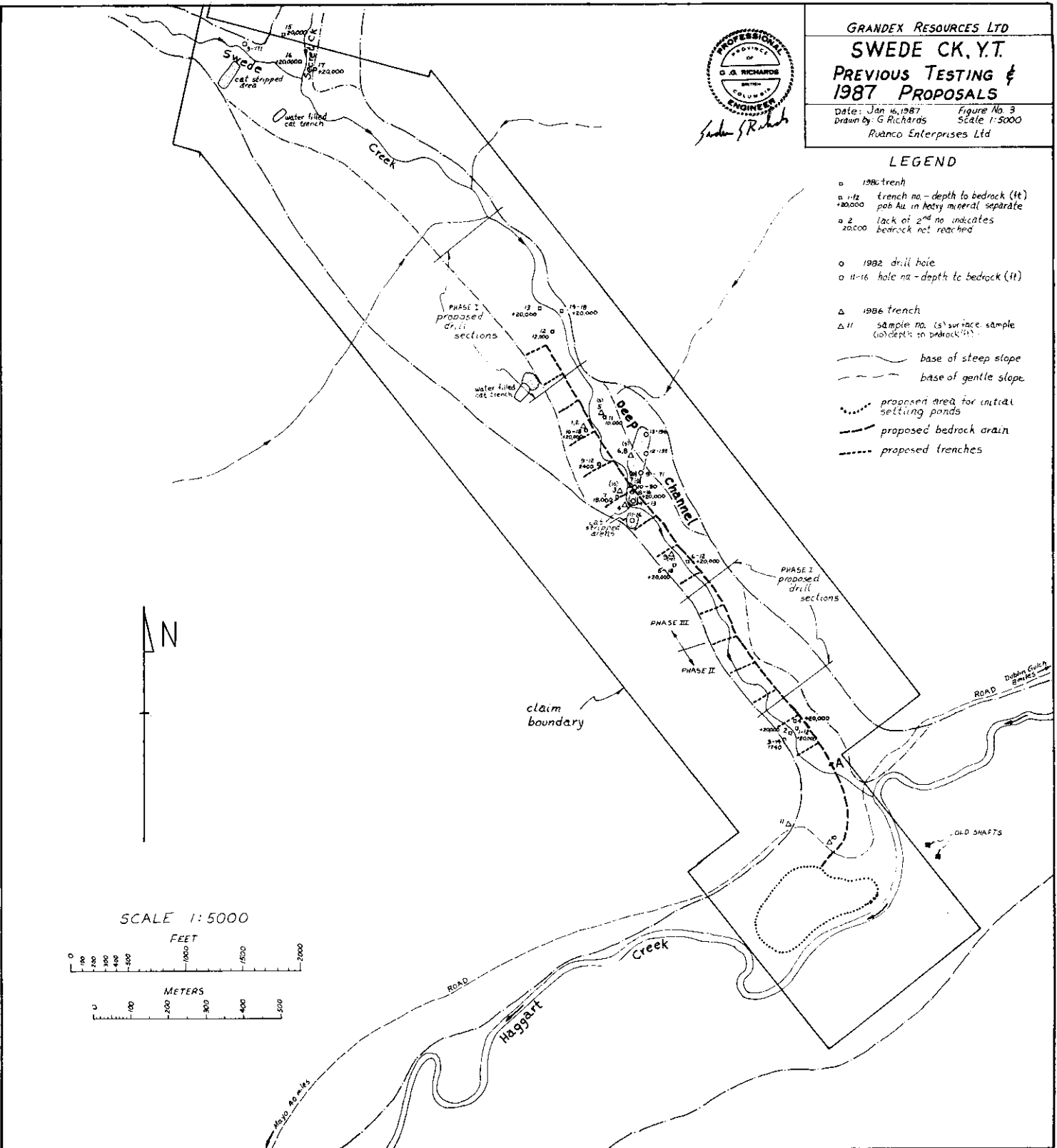


SCALE 1:5000

FEET



METERS



GEOLOGY AND PREVIOUS WORK

The area is underlain by the "Grit Division" of the Yukon Group made up of a wide assemblage of quartzites, conglomerates, shales, slates, phyllites and schists (memoir 357, L.H. Green 1971). The Mayo region is best known for the lead-zinc-silver mines of the Keno Hill area. Several quartz veins yielded high grade lead-silver-antimony ore on the Peso Silver Mine two miles northeast of Swede Creek.

The property lies in an area of several past and present gold producing placer creeks. The most notable and closest is Dublin Gulch, presently being mined by Canada Tungsten Mining Corporation Limited, some 5 miles northeast of Swede Creek. "Gold production from Dublin Gulch since 1898 is approximately 17,500 ounces of crude gold. The deposits at this site are up to 60 feet deep, and consist of glaciofluvial gravel, and pre-glacial gravel. The gold-bearing portion of the pre-glacial channel was partially removed and reworked by glacial action, and partially buried by glaciofluvial deposits".(Debicki R.L.-1983 page 79,80.) The target on Swede Creek is similar in that the drainage has been glaciated and there is some evidence of the basal gravels being older "undisturbed" pre-glacial gravels carrying economic concentrations of gold.

This report deals with placer gold potential of Swede Creek and therefore only surficial geology is described below. Source of gold in the gravels is unknown and no attempt is made to find a bedrock source if it still exists.

The cheapest and most helpful aid in exploring for placer gold in the Yukon is to find old workings and follow them with exploration tests. These old workings date as far back as pre-1900 and are usually old shafts now filled with water and accompanying tailing piles, cabins and equipment. There are two old shafts visible on air photographs on the left limit of Haggart Creek across from the mouth of Swede Creek. Mr. Grant Crooker reported seeing another shaft 800 feet up Swede Creek near the claim line. Mr. Arno Ritter described an old cabin and several shafts a few hundred feet downstream from the mouth of Swede Creek. People from Mayo mention a shaft sunk many years ago on Swede Creek that was 80 feet deep yet failed to reach bedrock. Such a depth of gravel made any hope for a placer gold mine seem impossible and for that reason the creek was ignored until Canada Tungsten Mining Corporation Limited tested the ground as described below.

Secret Creek, a left limit tributary to Swede Creek about one and one-half miles up Swede Creek, has been mined but its

production is unknown. Swede Creek has not been mined. Gold fineness on Dublin Gulch is 860-923 and on Haggart Creek 885-895. Finess of gold on Swede Creek is probably similar.

The following description of the geology of Swede Creek drainage is based on three previous studies:

- 1) a 1980 trenching and sampling programme carried out by Bema Industries Ltd. for Canada Tungsten Mining Corporation Limited and described in a report dated December, 1980;
- 2) a 1982 drilling and sampling programme also carried out by Bema Industries Ltd. for Canada Tungsten Mining Corporation Limited and described in a report of early 1983;
- 3) a 1986 trenching programme carried out by Mr. Arno Ritter, sampled by Mr. Ritter and a geologist, Grant Crooker and samples treated by Bacon, Donaldson & Assoc. Limited.

This last study was not well recorded except the work by Bacon, Donaldson & Assoc. Limited and therefore relies on conversations with people involved. Another report written in July 1986 by Charles K. Ikona of Pamicon Developments Ltd. for Lone Jack Resources, summarizes much of the pre 1986 work and was referred to in writing this report.

1980 trenching was done in three areas as shown on Figure 3. Trenches T1 to T4 were dug about 800 feet above the mouth of Swede Creek. Two trenches T1 and T3 encountered graphitic phyllite bedrock at depths of 12 feet and 14 feet. Overburden in all four samples was mixed boulders, gravel and sand with a thin (1 ft.) veneer of soil. Trench T4 displayed some iron oxide stained gravel.

A second area some 2200 feet long, from 2400 feet to 4600 feet above the mouth of Swede Creek, was sampled by trenches T5 to T14 many of which intersected bedrock at depths of 12 to 20 feet. An interesting feature of these trenches is that all of the trenches up the creek from T8 have basal gravel sections stained with iron oxide. Trenches T5 to T8 have no such gravels. Six drill holes forming a section across the creek are located between trenches T5-T6 and trenches T7-T8. This drill section shows a deep channel approximately 200 feet deep on the left limit. Drill hole #10 in the centre of the valley indicates bedrock is 30 feet deep and that the two feet of gravel above bedrock is "brown limonite gravel...containing good gold colours

visually estimated to equal approximately \$15.00/cu.yd". It is not known what value of gold was used to determine this value. The description of the gold bearing gravel in Hole # 10 is similar to the basal iron-stained gravels in trenches T9 to T14. More significantly, trenches T9 to T14 contain a much thicker section of iron-stained gravel (from 30% to 90% of the section) than the 2 feet of iron stained gravel in the total thirty foot thick gravel section in hole #10. The iron-stained gravel could be preglacial gravel that has not had its gold content diluted by mixing and reworking by glacial activity. Such pre-glacial gravel is the target sought as it is these gravels that have the best chance of providing economic grade placer gold, such as found elsewhere in western Canada and Alaska in placer gold camps that lie in glaciated terrains.

A third area of trenching occurs one and one-half miles up Swede Creek at the mouth of Secret Creek. Here, trenches T15 to T17 were dug as deep as 25 feet but did not encounter bedrock, although they did cut iron stained gravels.

Interpretation of the 1980 trenching results is difficult because of the sampling method, particularly the small sample size and the lack of determining a gold weight for each sample. "A total of 102 (85 pound) uniform volume samples of .0261 cubic yards (0.198 cubic meters) were taken in 5-gallon metal buckets from the backhoe bucket during the trench excavations. The .0261 cubic yard (85 pound) samples were concentrated by the Doodle Bug sampler or -10 mesh screen and panned to produce a 5 to 10 pound heavy mineral fraction sample. Due to the small proportion of heavy minerals in the samples it was decided to selectively combine the samples to produce a fewer number of aggregate samples. The aggregate samples, averaging 15 to 20 pounds, were washed and screened through a -20 mesh and run over a 'Wilfley Shaker table' to obtain a two to five ounce heavy and a two to five ounce light mineral fraction sample. The final heavy and light fraction samples were sent to Chemex Labs. Ltd. in North Vancouver for geochemical analysis for Au, Ag, W, Sn" (Nordin G.D. - 1980)

Twelve of the 29 samples yielded gold results given as "greater than 20,000ppb Au" and ten more samples were in the range 8000 to 20,000ppb Au. Although the sample method was complicated, the authors of the covering report, Mr. G.D. Nordin B.Sc. and Mr. K.E. Northcote Ph.D. P.Eng., concluded, "An approximate calculation on a value of 20,000ppb gold from a 3 ounce heavy mineral sample obtained from 0.0261 cubic yards of material and \$600/ounce gold gave a value per cubic yard of twelve dollars (\$12.00)". Based on this statement many of the samples yielded economic to subeconomic results even at today's

lower gold price. The small original sample size (85 pounds) and the fire assay technique used for determining total gold content and not determining a weight of "free gold" make the trenching results inadequate for accurate grade determination but do indicate appreciable gold over much of the tested ground.

The 1986 trenching and sampling programme began in August with the digging by backhoe of nine trenches. Completion of some of these trenches was done in standing water - an unavoidable but poor sampling procedure. Trenches sampled in 1986 are shown on figure 3. Notes on these trenches were provided by Mr. Grant Crooker, geologist in charge of sampling and summarized in Table 1.

The piles of gravel were left standing for several weeks before they were sampled in mid September. From ten to thirty percent of each pile was sampled by a Caterpillar 930 loader in order to sluice an estimated ten yards of material. What part of the trench material these ten yard samples represented is not known. As no allowance was made for swelling of "in place" bank yards to loose yards in the piles, each sample is assumed to be about eight yards for purposes of determining grade. These eight yard samples were fed by loader into a Long Tom. According to Mr. G. Crooker, the material was poorly washed, was often fed into the box too quickly, and the riffles became packed on several occasions thus prohibiting proper retention of gold.

The sluice box was cleaned and mats washed after every sample with the concentrate saved and shipped for processing in Vancouver at Bacon, Donaldson and Assoc. Limited. Sample reduction produced gold weights from which grades can be determined.

Interpretation of 1986 results is difficult owing to the random nature of selecting the "10 yard" samples from the piles and by the lack of fine gold in the final gold sample produced by Bacon, Donaldson, & Assoc. Limited. The highest value was .058 Troy oz Au. Using eight yards as the sample size yields a grade of .007 raw oz/yard, a grade too low to be considered economical. However, all the samples reduced by Bacon, Donaldson and Assoc. Limited contained no gold less than 0.5mm in diameter and only 10% of the gold was less than one mm diameter. A concentrate submitted by Arno Ritter and obtained by panning the backhoe piles showed that 90% of the concentrate was less than one millimeter. This discrepancy in gold particle size is probably the result of the sampling procedure carried out in the field. It is thought that all fine gold less than 0.5mm was somehow lost as well as much of the slightly coarser gold and that the actual grade should be several times that actually calculated from the

1986 TRENCHING NOTES
TABLE 1

PIT	SIZE	SAMPLE	GOLD WEIGHT (TROY OZ)	NOTES
A	9mX9m	#1	.029	-orangy well rounded gravel - boulders to 40 cm diam.
A	9mX9m	#2	.030	-other side pit - rustier than #1
B	10mX4m	#5	.006	surface sample -more silty grey material, large percentage of rocks
C	4mX4m	#7	.044	-10' to bedrock, many rounded boulders
D	5mX30m	#6	.014	-greyish brown soil with few rocks, 20' deep to bottom of hole, no bedrock
D	5mX30m	#8	.001	-surface sample taken beside #6
E	6mX6m	#3	.058	-8'-10' to bedrock
F	9mX18m	#4	.022	-no notes
no information		#9	.025	-10' to bedrock, much silt, up to 40cm boulders
no information		#10	.016	-bottom of hole 30' deep, gravelly
no information		#11	.015	-no notes

from G. Crooker personal communication and gold weights from Bacon, Donaldson & Assoc. Limited report.

weights recovered..

From the location of the 1986 sample sites and Table 1, it can be seen that the best results are from trenches that reached bedrock and/or are on the right limit away from the deeply buried left limit channel.

CONCLUSIONS

Swede Creek is in an area of Yukon that contains numerous gold placer creeks most notable and closest being Dublin Gulch with past production of 17,500 ounces raw gold up to 1982.

Swede Creek has not been mined but has been tested for placer gold in 1980 by trenching, in 1982 by drilling and in 1986 by trenching. Sampling techniques have not been satisfactory and have yielded difficult to interpret results, although there is some evidence in the results that economic grades of placer gold are present. A 200 foot deep buried channel probably exists on the left limit one kilometer up the creek and probably extends along the length of the creek. The best gold grades in both trenching programmes and in the drilling appear to be on an old buried bedrock bench on the right limit within the lower kilometer of creek and possibly upstream from there adjacent to the deep channel.

Assuming the approximate 8000 feet of Swede Creek lying within the claims has an old bench averaging 300 feet wide and 12 feet deep with a grade of .02 ounces/yard then there are 21,000 ounces of raw gold recoverable in approximately one million yards, a five year mining reserve at 2,000 yds/day for 100 sluicing days per year. Considerable exploration is required to confirm such potential.

RECOMMENDATIONS

Three phases of exploration are recommended for 1987 to locate and measure areas of economical gold reserves. Phase I involves air rotary drilling. Phase II and Phase III involve trenching and bulk sampling. Total budget is \$648,404 which breaks down as follows: Phase I \$89,100.; Phase II \$333,330.; Phase III \$222,975. These recommendations are based on the model of gold distribution described in this report and may have to be altered to suit field conditions not presently known and as information is developed. A dozer, backhoe and loader are required to carry out this work. The dozer should be a Caterpillar D8K or larger machine, the loader a Caterpillar 960 or larger and the backhoe a Caterpillar 235 or larger.

An air rotary drilling program is recommended to locate and evaluate the buried channel. Four drill sections across the creek requiring about 400 feet of drilling on each section and spaced 1000 to 2000 feet apart would be adequate to locate the buried channel. Fill-in drilling between sections would make up the balance of the 2000 feet and be used to locate the point at which bedrock becomes deeper than about twenty feet. Locating this point would be used for determining the position of the bedrock drain in the next phase of work. Samples would be collected every two feet but should be combined into much longer sections for processing, except near the bottom of the hole where grades can be expected to increase if old gravels are found to be preserved beneath the upper glacial gravels.

Phase II includes building of settling ponds and a bedrock drain followed by bulk sampling from trenches connected to the bedrock drain. Settling ponds are planned to be built along the right limit of Haggart Creek and a drain dug up Swede Creek from the inlet to the ponds until bedrock is reached at about fifteen foot depth. Estimation of this bedrock position will be based on Phase I drilling results but is estimated as point A in Figure 3, based on current information. This drain is designed to drain all water from the test trenches described below in order to minimize gold loss during trenching.

It is proposed to test the first 1400 feet of Swede Creek on its right limit where previous trenching has shown bedrock to be about fifteen feet deep and overlying gravels to contain gold. Trees, shrubs and topsoil should first be stripped from the areas to be trenched over widths of 50 to 100 feet. Following stripping, the creek should be moved away from the area to be trenched onto the left side of the valley. From Point A, on Figure 3, a bedrock drain should be dug several feet into bedrock and extended up the creek in approximately the same depth of

gravels (i.e. 15 feet). It should be wide enough to get a dozer into so that it can be cleaned out when necessary. If panning tests indicate significant gold in the drain during excavation then the material removed could be sluiced or it could be saved for later sluicing. A dozer with ripper is required for digging this drain assisted by the backhoe and loader.

It is proposed that trenches be dug for bulk sampling at three hundred foot intervals and connected to the bedrock drain at right angles. The trenches are planned to be about two hundred feet long, fifteen feet deep and two to three feet wide. About two feet of bedrock should be included in the bulk sample. Each trench should be divided into separate samples from different depths based on panning as the trench is dug. A Caterpillar 235 backhoe, or equivalent, equipped with a rock bucket will be required for digging the trenches. A ripper tooth should be available to be mounted on the back of the bucket to assist in ripping permafrost if it becomes necessary. In any event material excavated from the trenches should be stacked carefully for eventual sluicing. Trenches should be measured after every sample is removed to make an accurate calculation of yardage.

Following the stacking of samples and allowing enough time for the samples to thaw they should be sluiced, panned and amalgamated to yield a weight of raw gold from which a grade in ounces of raw gold per cubic yard can be determined.

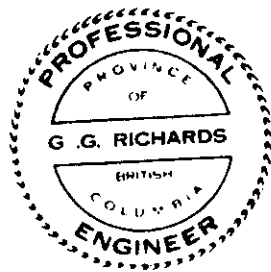
As confirmation of the above testing results, a small cut should be processed at the most downstream point that grades from the bulk sampling programme show to be sensible. Size of this cut should be about 100 feet by 150 feet and should be stripped of upper waste gravels as determined by the trenching results. The loader and dozer would be required for this test.

Design of Phase III testing is dependent upon Phase II results. If the Phase II testing has indicated economic gold grades then this style of testing should be extended another 3000 feet up the creek, as shown on Figure 3, in order to prove up several years mining reserves. If the Phase II testing yields low gold grades then the approximately 6500 feet of creek remaining to be tested should be evaluated by digging trenches away from the deep buried channel that was outlined in the Phase I drill program. These trenches could be stripped by dozer, dug by backhoe and sluiced with aid of the loader. They would be about 200 feet long, 15 feet deep and 3 feet wide. As a bedrock drain might not be feasible some standing water in some of the trenches would be unavoidable. As many trenches would be dug as the Phase III budget allowed.

All bulk samples should be processed in a sluice box. After every sample has been sluiced, the box should be thoroughly cleaned so that the material could be further reduced by additional sluicing in a "Long Tom", and amalgamation to ultimately yield pure raw gold for weighing. Combining this weight and the volume of the sample, will produce grades in Troy ounces of raw gold per cubic yard. A compilation of all data produced from the above exploration would then be made to provide a mining feasibility study.

Respectfully submitted

Gordon G. Richards
Gordon G. Richards P.Eng



1987 BUDGET

PHASE I
DRILLING & SAMPLING

Mob-demob drilling equipment	\$ 8,800
Drill 2000 ft. X \$30/ft.	60,000
Moving time 15 holes X 1hr. X \$195/hr.	2,925
Dozer support and road building	
20hr. X \$100/hr.	2,000
Engineer 15 days X \$350/day	5,250
Helper 15 days X \$200/day	3,000
Room & Board 4 men X 15 days X \$100/day	6,000
Truck 15 days X \$75/day	<u>1,125</u>

\$ 89,100

PHASE II
TRENCHING & BULK SAMPLING

Mob-Demob

Backhoe	\$15,000
Loader	15,000
Dozer	15,000
Trommel, pump, pipes, etc.	8,000
2 pickups X 14 days X \$75/day	2,100
3 men X 7 days X \$200/day	4,200
Cook X 7 days X \$125/day	875
Foreman X 14 days X \$300/day	4,200
Helper X 14 days X \$200/day	2,800
Food & Accom 70 days X \$100/day	7,000
Airfare 2 men Vcr-Whs return	<u>1,500</u>

75,675

Road Construction

Dozer 35 hrs. X \$100/hr.	\$3,500
Operator 4 days X \$200/day	800
Food 4 days X \$40/day	160
Truck 4 days X \$75/day	<u>300</u>

4,760

Creek Diversion

Dozer 80 hrs X \$100/hr	\$8,000	
Operator 8 days X \$200/day	1,600	
Food 8 days X \$40/day	320	
Truck 8 days X \$75/day	<u>600</u>	
		10,520

Tailings Ponds, Stripping and Bedrock Drain

Dozer 150 hrs X \$100/hr	\$15,000	
Operator 15 days X \$200/day	3,000	
Loader 150 hrs X \$100/hr	15,000	
Operator 15 days X \$200/day	3,000	
Backhoe 150 hrs X \$100/hr	15,000	
Operator 15 days X \$200/day	3,000	
Truck 15 days X \$75/day	1,125	
Supervisor 30 days X \$300/day	9,000	
Cook 30 days X \$125/day	3,750	
Helper 30 days X \$200/day	6,000	
Food 135 days X \$40/day	<u>\$5,400</u>	
		79,275

Trenching & Bulk Sampling

Dozer 90 hrs X \$100/hr	\$ 9,000	
Operator 9 days X \$200/day	1,800	
Backhoe 100 hrs X \$100/hr	10,000	
Operator 10 day X \$200/day	2,000	
Loader 60 hrs X \$100/hr	6,000	
Operator 10 days X \$200/day	2,000	
Helper 10 days X \$200/day	2,000	
Engineer 10 days X \$350/day	3,500	
Cook 10 days X \$125/day	1,250	
Food 40 days X \$40/day	1,600	
Truck 10 days X \$75/day	750	
Supervisor 10 days X \$300/day	<u>3,000</u>	
		42,900

Demob	\$25,000	
Reports	10,000	
Contingency	<u>30,000</u>	
		65,000

Total Phase I and II	\$ 367,330	
Management 15%	55,100	
	<u>\$ 422,430</u>	

PHASE III

Preparation, trenching and bulk sampling next 3000' of creek or spot trenching

Dozer 450 hrs X \$100/hr	\$45,000	
Operator 45 days X \$200/day	9,000	
Loader 400 hrs X \$100/hr	40,000	
Operator 40 days X \$200/day	8,000	
Backhoe 200 hrs X \$100/hr	20,000	
Operator 20 days X \$200/day	4,000	
Cook 45 days X \$125/day	5,625	
Supervisor 45 days X \$300/day	13,500	
Helper 45 days X \$200/day	9,000	
Engineer 20 days X \$350/day	7,000	
Food 250 days X \$40/day	10,000	
Truck 45 days X \$75/day	<u>3,375</u>	
		174,500

Reports	\$ 2,000	
Contingency	<u>20,000</u>	
Total Phase III		22,000
Management 15%		\$ 196,500
		29,475
		<u>\$ 225,975</u>

PHASE I	\$ 89,100	
PHASE II	278,230	
Management for Phase I & II	55,100	
PHASE III	196,500	
Management for Phase III	29,475	
PROGRAM TOTAL	<u>\$648,405</u>	

STATEMENT OF QUALIFICATIONS

REFERENCES

I, Gordon G. Richards, of Richmond, in the Province of British Columbia, DO HEREBY CERTIFY THAT:

- 1. I am a Consulting Geological Engineer with offices at 5700 Forsythe Crescent, Richmond, British Columbia, V7C 2C3; Phone 270-6862
- 2. I am a graduate of the University of British Columbia with degrees of B.A.SC 1968 and M.A.SC 1974
- 3. I am a member in good standing of the Association of Professional Engineers of the Province of British Columbia
- 4. Although I have not visited the Swede Creek property, I have for the past three years been directly involved in a placer gold mine in the Yukon Territory and understand the type of deposit sought.
- 5. I have no interests in Grandex Resources Ltd. or in the property reported on herein nor do I expect to receive any.
- 6. I hereby consent to the use of this report by Grandex Resources Ltd. in a prospectus or any other document that may be required by any regulatory authority.

- Bacon, Donaldson and Associates Ltd. (1986): Processing and Analysis of Sluice Box Concentrates from Duncan and Swede Creeks: unpublished report prepared for Grandex Resources Ltd.
- Crooker G. (1986): Trenching and Bulk Sampling Program on Swede Creek: personal communication and notes.
- Debicki R.L. (1983): Placer Mining Industry 1978-1982: Indian and Northern Affairs Canada.
- Green L.H. (1971): Geology of Mayo Lake, Scougale Creek and McQueston Lake Map-Areas, Yukon Territory Geological Survey of Canada Memoir 357
- Ikona C.K. (1986): Report on the Swede Creek Properties unpublished report prepared for Lone Jack Resources Ltd.
- Nordin G.D. (1980): Placer Sampling Program of the Swede-Secret Creek Placer Leases: 5156, 5327 unpublished report prepared for Canada Tungsten Mining Corporation Limited.
- Phillpot M. (?)(1983?): Placer Drilling Program of the Swede Creek Placer Lease: unpublished report prepared for Canada Tungsten Mining Corporation Limited.

Dated at Vancouver, British Columbia this 19th day of January, 1987.

Gordon G. Richards
Gordon G. Richards P.Eng



**CHAMBERS,
PHILLIPS & CO.**
CHARTERED
ACCOUNTANTS

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Duncan Budge, B.Comm., C.A.

Melvyn Ackerman, C.A.
Carson C.C. Wu, B.Comm., C.A.
Peter Busch, B.A., C.A.

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Telephone (604) 687-4511

AUDITORS' REPORT

GRANDEX RESOURCES LTD.

FINANCIAL STATEMENTS

PERIOD FROM DATE OF INCORPORATION (JANUARY 28, 1986)
TO NOVEMBER 30, 1986

AUDITORS' REPORT

EXHIBITS

- A BALANCE SHEET
- B STATEMENT OF EARNINGS AND DEFICIT
- C STATEMENT OF DEFERRED EXPLORATION,
DEVELOPMENT AND ADMINISTRATIVE
EXPENDITURES
- D STATEMENT OF CHANGES IN FINANCIAL
POSITION
- E NOTES TO FINANCIAL STATEMENTS

SCHEDULE

- 1 SCHEDULE OF DEFERRED ADMINISTRATIVE
EXPENDITURES

To the Shareholders,
Grandex Resources Ltd.

We have examined the balance sheet of Grandex Resources Ltd. as at November 30, 1986 and the statements of earnings and deficit, deferred exploration, development and administrative expenditures and changes in financial position for the period from date of incorporation (January 28, 1986) to November 30, 1986. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at November 30, 1986 and the results of its operations and changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

December 15, 1986, except as to
Note 7 which is as of
February 5, 1987.

Chambers, Phillips & Co.

Chartered Accountants.

ADDENDUM I

March 5, 1987

of

REPORT ON THE PLACER GOLD POTENTIAL

of the

SWEDE CREEK PROSPECT

Mayo, Yukon Territory

Placer claims: RGA #0 - #15, P15555, P15556, P15519
Mayo Mining Division

LATITUDE 63°58'N LONGITUDE 136°00'W
NTS 105M13, 115P16

PREPARED FOR: GRANDEX RESOURCES LTD.

by

GORDON G. RICHARDS, P.ENG.
RUANCO ENTERPRISES
5700 Forsythe Crescent
Richmond, B.C. V7C 2C3

Tel: (604)270-6862

January 16, 1987

ADDENDUM I
D5-34

PURPOSE

The purpose of this Addendum I is to:

- 1) clarify the phasing of the recommended work program,
- 2) alter the 1987 Budget, Phase II by an increase of \$2,570 in the REPORT ON THE PLACER GOLD POTENTIAL of the SWEDE CREEK PROSPECT, Mayo, Yukon Territory.

CLARIFICATION

The drilling program is necessary for the successful commencement of the Phase II trenching and bulk sampling program but will not develop information that would determine if Phase II should or should not be undertaken.

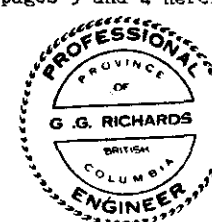
It is intended by the writer that both Phase I and Phase II should commence simultaneously, with the drilling program proceeding quickly ahead of Phase II over a fourteen to twenty day period while Phase II is estimated to take forty to fifty days plus reporting time. Further, the Drilling Program cannot stand on its own as physical support, machine time, stripping, road building and drill site preparation, all related to the Drilling Program, is budgeted into and forms part of Phase II.

The exact plan for Phase III will be developed as the Phase II work progresses but basically is as follows:

- 1) either, continue the work in the same manner as laid out in Phase II, extending the bedrock drain and side trenching an additional 3000 feet, or,
- 2) evaluate the approximately 6500 feet of creek remaining by bulk sampling of trenches targeted by the drilling program.

1987 BUDGET

For ease of the reader, the entire Budget is reproduced herein with the affected changes marked with an astrisk (*) on the bottom of pages 3 and 4 herein.



Gordon Richards

ADDENDUM I
D5-34

1987 BUDGET

PHASE I
DRILLING & SAMPLING

Mob-demob drilling equipment	\$ 8,800	
Drill 2000 ft. X \$30/ft.	60,000	
Moving time 15 holes X 1hr. X \$195/hr.	2,925	
Dozer support and road building		
20hr. X \$100/hr.	2,000	
Engineer 15 days X \$350/day	5,250	
Helper 15 days X \$200/day	3,000	
Room & Board 4 men X 15 days X \$100/day	6,000	
Truck 15 days X \$75/day	<u>1,125</u>	
		\$ 89,100

PHASE II
TRENCHING & BULK SAMPLING

Mob-Demob		
Backhoe	\$15,000	
Loader	15,000	
Dozer	15,000	
Trommel, pump, pipes, etc.	8,000	
2 pickups X 14 days X \$75/day	2,100	
3 men X 7 days X \$200/day	4,200	
Cook X 7 days X \$125/day	875	
Foreman X 14 days X \$300/day	4,200	
Helper X 14 days X \$200/day	2,800	
Food & Accom 70 days X \$100/day	7,000	
Airfare 2 men Vcr-Whs return	<u>1,500</u>	
		75,675

Road Construction		
Dozer 35 hrs. X \$100/hr.	\$3,500	
Operator 4 days X \$200/day	800	
Food 4 days X \$40/day	160	
Truck 4 days X \$75/day	<u>300</u>	
		4,760

ADDENDUM I
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Creek Diversion

Dozer 80 hrs X \$100/hr	\$8,000	
Operator 8 days X \$200/day	1,600	
Food 8 days X \$40/day	320	
Truck 8 days X \$75/day	<u>600</u>	
		10,520

Tailings Ponds, Stripping and Bedrock Drain

Dozer 150 hrs X \$100/hr	\$15,000	
Operator 15 days X \$200/day	3,000	
Loader 150 hrs X \$100/hr	15,000	
Operator 15 days X \$200/day	3,000	
Backhoe 150 hrs X \$100/hr	15,000	
Operator 15 days X \$200/day	3,000	
Truck 15 days X \$75/day	1,125	
Supervisor 30 days X \$300/day	9,000	
Cook 30 days X \$125/day	3,750	
Helper 30 days X \$200/day	6,000	
Food 135 days X \$40/day	<u>\$5,400</u>	
		79,275

Trenching & Bulk Sampling

Dozer 90 hrs X \$100/hr	\$ 9,000	
Operator 9 days X \$200/day	1,800	
Backhoe 100 hrs X \$100/hr	10,000	
Operator 10 day X \$200/day	2,000	
Loader 60 hrs X \$100/hr	6,000	
Operator 10 days X \$200/day	2,000	
Helper 10 days X \$200/day	2,000	
Engineer 10 days X \$350/day	3,500	
Cook 10 days X \$125/day	1,250	
Food 40 days X \$40/day	1,600	
Truck 10 days X \$75/day	750	
Supervisor 10 days X \$300/day	<u>3,000</u>	
		42,900

Demob	\$25,000	
Reports	10,000	
Contingency	<u>32,335*</u>	

67,335*

Total Phase I and II	\$ 369,565*	
Management 15%	<u>55,435*</u>	
	<u>\$ 425,000*</u>	

ADDENDUM I
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PHASE III

Preparation, trenching and bulk sampling next 3000' of creek or spot trenching

Dozer 450 hrs X \$100/hr	\$45,000	
Operator 45 days X \$200/day	9,000	
Loader 400 hrs X \$100/hr	40,000	
Operator 40 days X \$200/day	8,000	
Backhoe 200 hrs X \$100/hr	20,000	
Operator 20 days X \$200/day	4,000	
Cook 45 days X \$125/day	5,625	
Supervisor 45 days X \$300/day	13,500	
Helper 45 days X \$200/day	9,000	
Engineer 20 days X \$350/day	7,000	
Food 250 days X \$40/day	10,000	
Truck 45 days X \$75/day	<u>3,375</u>	
		174,500
Reports	\$ 2,000	
Contingency	<u>20,000</u>	22,000
Total Phase III		\$ 196,500
Management 15%		29,475
		<u>\$ 225,975</u>

SUMMARY

PHASE I	\$ 89,100	
PHASE II	280,465*	
Management(Field)-Phase I & II	<u>55,435*</u>	\$425,000*
PHASE III	196,500	
Management for Phase III	<u>29,475</u>	225,975
PROGRAM TOTAL per Addendum I		<u>\$650,975*</u>

ADDENDUM I
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STATEMENT OF QUALIFICATIONS

I, Gordon G. Richards, of Richmond, in the Province of British Columbia, DO HEREBY CERTIFY THAT:

1. I am a Consulting Geological Engineer with offices at 5700 Forsythe Crescent, Richmond, British Columbia, V7C 2C3; Phone 270-6862
2. I am a graduate of the University of British Columbia with degrees of B.A.SC 1968 and M.A.SC 1974
3. I am a member in good standing of the Association of Professional Engineers of the Province of British Columbia
4. Although I have not visited the Swede Creek property, I have for the past three years been directly involved in a placer gold mine in the Yukon Territory and understand the type of deposit sought.
5. I have no interests in Grandex Resources Ltd. or in the property reported on herein nor do I expect to receive any.
6. I hereby consent to the use of this Addendum I by Grandex Resources Ltd. in a prospectus or any other document that may be required by any regulatory authority.

Dated at Vancouver, British Columbia this 6th day of March, 1987.

Gordon G. Richards
Gordon G. Richards P.Eng

ADDENDUM I
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