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Progress Report
Freegold Project
June 15, 1981

General

The Freegold Project has proceeded on schedule since the May 22 progress report. The geophysical surveys were completed by June 8 and copies of the preliminary data forwarded to Vancouver for examination by Teck Explorations and Welcome North Mines. The drill crew mobilized to the property on June 4 and drilling at the hole 1 site started on June 6. Drill progress and results to date are:

Hole AR (Arctic Red) 81-01 -- Refer to the attached section. This hole was collared in its planned location (see May 22 letter) to examine the eastern margin of the silver-rich breccia zone. It intersected strongly leached and argillic altered breccia to 115 feet and mainly feldspar porphyry (dyke?) thereafter to its final depth of 342 feet. The hole was discontinued due to a lost bit but would probably have not been continued much further as it had just intersected weakly fractured syenite country rock. No sulphides were seen in the core but strong limonite staining to 115 feet and weak staining thereafter suggests sulphides were once present. Core was split and forwarded to Chemex Labs Ltd. on June 15.

Hole AR 81-02 -- See enclosed map. This hole was collared at its planned location and drilled to 382 feet. Although no breccia was intersected (the hole is just south of the breccia contact) a zone of quartz veined, pyritized and altered granodiorite was cut from 75 feet to 312 feet. This zone appears similar to the zone cut in the bottom of Hole R75-22 (about 200 feet north) which averaged 0.0629 oz gold per ton over 75 feet.

Hole AR 81-02 was stopped when it entered less altered granodiorite. Split core will be sent for assaying on June 16 or 17th.

Hole AR 81-03 -- Was collared at its planned location and was to 139 feet in altered granodiorite on June 15.

Exploration elsewhere has concentrated on the Seymour claims porphyry occurrence and the unstaked Castle occurrence (see 1980 report). Old trenches on the Seymour occurrence have been cleaned and deepened and will be mapped and sampled shortly. Grid soil sampling (for gold) is being conducted over and peripheral to the showing. Additional prospecting at the Castle occurrence has located evidence of strong alteration with some associated quartz veining over at least a half mile square area. Rock and soil samples have been sent to Chemex Labs for gold assay. Good results will necessitate the staking of at least 20 more claims.

Exploration targets in the Guder option have been examined and only the Cabin occurrence is considered worth additional work. This occurrence is already fairly well exposed by trenching and our work will consist mainly of detailed rock and soil sampling (for gold) and mapping. Assessment on the Guder option can be obtained by grouping from the bulldozer trenching on the Seymour claims.

Further Work

Holes AR 81-05 to 08 will be drilled to test IP anomalies. Hole AR 81-05 will be collared at 5050 N, 8540 E and drilled 400 feet west at -50° on the same azimuth as Hole R75-02. Hole AR 81-06 will be collared at 4100 N, 9240 E and drilled west at -50° on the same azimuth as Hole AR 81-01. The location of Holes AR-07 &-08 will be determined in a meeting between Welcome North and Teck.

If the drilling continues to go well and a few more holes can be stopped short of 400 feet, we should be able to drill 9 and possibly even 10 holes rather than the 8 contracted for. I would appreciate suggestions on additional sites for them.

At the present rate of drilling and exploration I expect the field portion of the 1981 program to be completed in late July.

Respectfully submitted,

ARCHER, CATHRO & ASSOCIATES LIMITED,

A handwritten signature in black ink, appearing to read 'A.R. Archer', with a long horizontal flourish extending to the right.

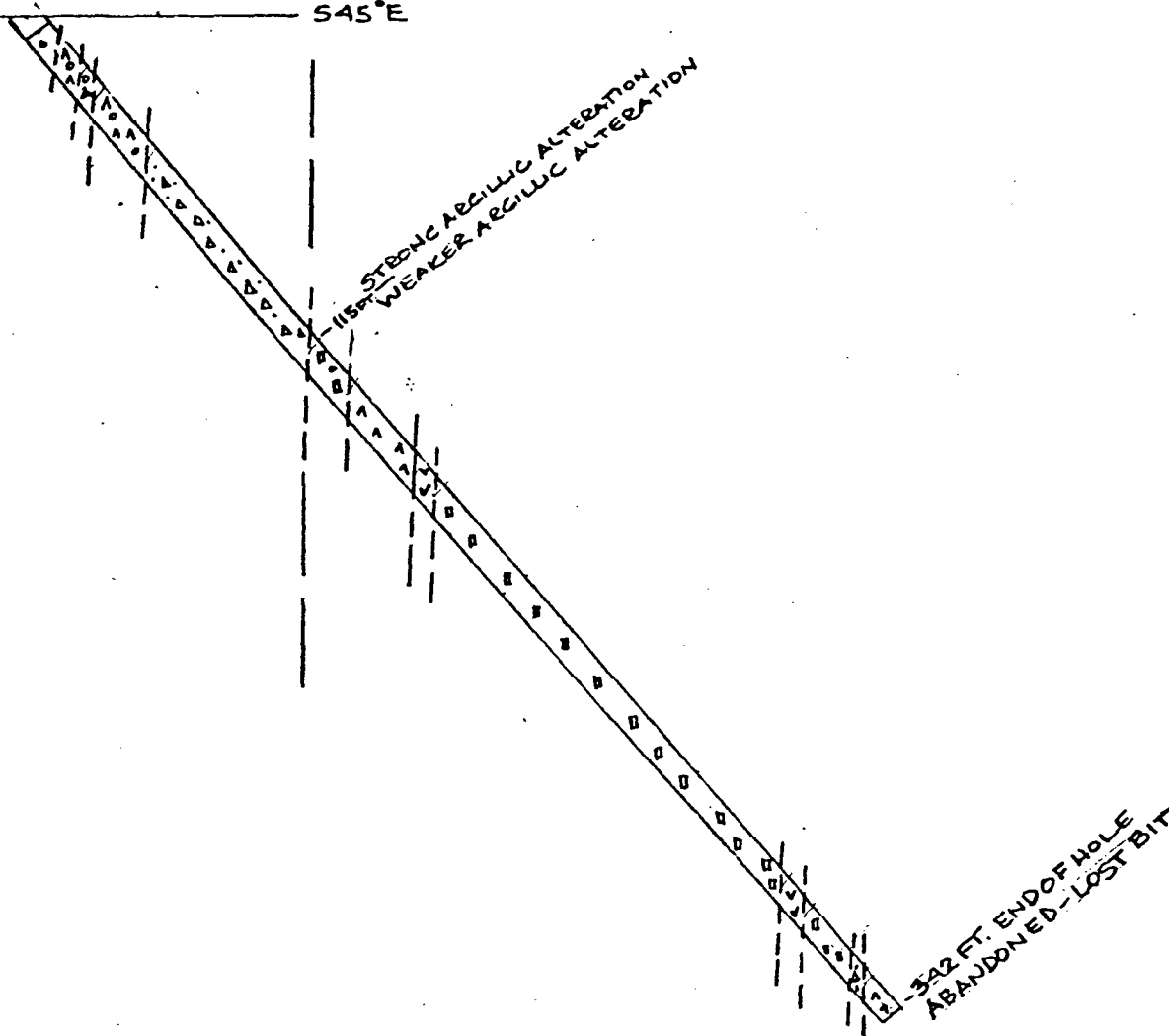
A.R. Archer

/jm
Encls.

AR 81-01 -50°

N 45° W

S 45° E



SECTION SHOWING
DRILL HOLE AR 81-01

SCALE 1 IN = 50 FT

LEGEND

- | | | | |
|--|----------------------------|--|-------------------|
| | ANDESITE | | FELDSPAR PORPHYRY |
| | BRECCIATED FELSITE | | SYENITE |
| | QUARTZ PORPHYRY | | QUARTZ SYENITE |
| | BRECCIATED QUARTZ PORPHYRY | | |