

008802

SUMMARY REPORT  
ON THE  
CIRQUE ZONE, DRILL INDICATED RESERVES  
OF THE  
MT. SKUKUM Au-Ag PROJECT  
WHEATON RIVER AREA  
YUKON

NTS 105 D 3

FOR  
KERR ADDISON MINES LIMITED

Vancouver, B.C.  
June 24, 1985

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## SUMMARY

Exploration by AGIP Canada Ltd. in the Mt. Skukum area of the southern Yukon has outlined an area of gold-silver mineralization. The mineralization occurs in a complex epithermal vein system which is localized along fault structures within Tertiary volcanics.

Detailed surface diamond drilling carried out from 1982 to 1984 on the Main or Cirque Zone indicates reserves of 81640 Tonnes grading 34.22 gm/tonne Au after allowing 30% for dilution (89991 short tons grading 0.998 oz/short ton) using a strict 8.0 gm/tonne Au cut-off and a minimum mining width of 1.5 meters true thickness. Four previous reserve calculations by; Wright Engineers (1983), Fisher, (Feb 1984), Westervelt (May 1984) and Doherty for AGIP (Dec 1984) gave higher tonnages and lower average grades for Au and Ag (See Tables 3,4 and 5).

Erickson, the mining operator, plan to mine the Cirque Zone by underground shrinkage methods and have nearly completed an exploration/production drift which is designed to intersect the zone at depth, and plan to carry out bulk underground sampling and mining during 1985. Gold recoveries from metallurgical tests are reported to be in excess of 95% using standard cyanide extraction techniques.

The Cirque Zone appears to have been reasonably well defined by AGIP's surface diamond drilling although additional underground drilling should be carried out to more closely define the exact shape and limits of the ore shoots prior to mining. Surface drilling by AGIP primarily during 1984, has upgraded the potential of other similar structures on the property, especially Brandy and Lake Zones. Further exploration and diamond drilling on these and the other similar prospects in the area appears warranted.

## 1.1 INTRODUCTION

During a 1980 reconnaissance program, AGIP Canada Ltd. located a number of creeks, with anomalous gold values, draining the northern slopes of Mt. Skukum, in an area of Tertiary volcanics south of Whitehorse.

From 1981 to 1984 AGIP have staked a large block of claims and carried out exploration, including reconnaissance and detailed mapping, local grid geochem and geophysical surveys, trenching, and prospect and fill-in diamond drilling. They also arranged a deal whereby Erickson Gold Mines Ltd. could earn 45% of the property by electing prior to June 30, 1985 to put the property into production by December 31, 1985.

In June 1985 the writer was requested by R.A. Dujardin to review and re-calculate the Cirque Zone ore reserves using a strictly applied 8.0 gm/tonne Au cut-off and a true thickness of 1.5 meters as a minimum mining width.

The present study is based on the writer's review of data supplied by AGIP Canada ltd.

## 2.1 LOCATION and ACCESS

"The Mt. Skukum project is located within the Whitehorse Mining District approximately 65 kilometers southwest of Whitehorse, Yukon (Figures 1 and 2), at latitude 60°12' North and longitude 135°28' West (see NTS Map Sheet 105 D/3).

More specifically, the lode veins are located directly north of Mt. Skukum in a broad glaciated cirque, between the headwaters of the Wheaton and Watson Rivers. The Cirque area is well above tree line and is drained by Butte Creek which flows north and then east into the Wheaton River.

Access to the site is by way of the Alaska Highway, south from Whitehorse to the Carcross Road and then west from Robinson to Annie Lake, from there, the road follows the south side of the Wheaton River and up Butte Creek. Total distance from Whitehorse is approximately 100 kilometers and requires approximately 1½ hours driving time.

Two bridges were constructed in June 1984 across Becker Creek and the Wheaton River downstream from Butte Creek.

The portal is accessible by a fully loaded semi trailer truck " after Doherty, 84.

### 3.1 LAND STATUS

"AGIP Canada Ltd.'s current land holdings on the Mt. Skukum property consist of 562 contiguous and fractional claims around Mt. Skukum covering 116.98 km . Figure 2 shows the location of these holdings; Table 1 lists the claim names and renewal dates. Erickson Gold Mines Ltd. has entered into a joint venture with AGIP to earn up to a 45% interest in this group of claims.

TABLE 1  
MT. SKUKUM PROPERTY LAND STATUS

<u>CLAIM NAMES AND NUMBERS</u>	<u>NO. OF CLAIMS</u>	<u>RENEWAL DATE</u>
KUKU 1-48	48	June 9, 1985
KUKU 49-112;194,196-200,202,204 236-237,240-251,272-283, 303-313	109	June 9, 1985
KUKU 113-193,195,201,203,205-235, 238-239,252-271,284-302, 314-331	174	June 9, 1985
PUP 1-85 fractional claims	85	June 9, 1985
WOOF 3-10,19,21,23,25	12	Sept 2,1987
WOOF 1,2, 11-18,20,22,24,26-40	28	Sept 2,1986
CHIEF 3-11,14-29, 34-49	41	Nov 25,1986
CHIEF 1,2, 12,13,30-33, 50-71	30	Nov 25,1987
CHIEF 72-106	35	July 29,1987

TOTAL CLAIMS 562 " after Doherty/AGIP 84.

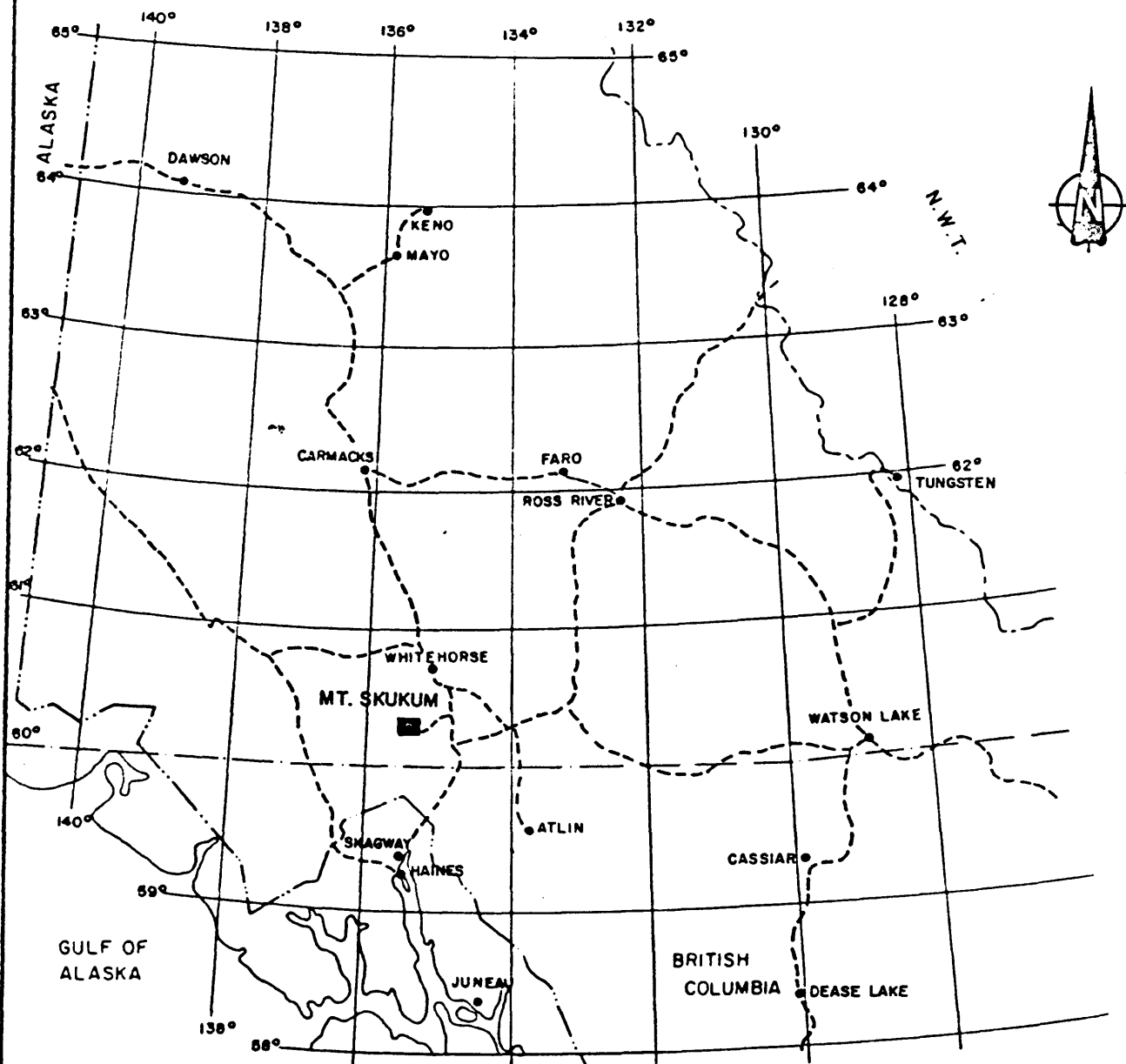
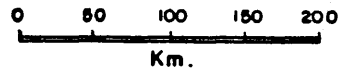
AGIP CANADA LTD.

MCUNT SKUKUM PROJECT

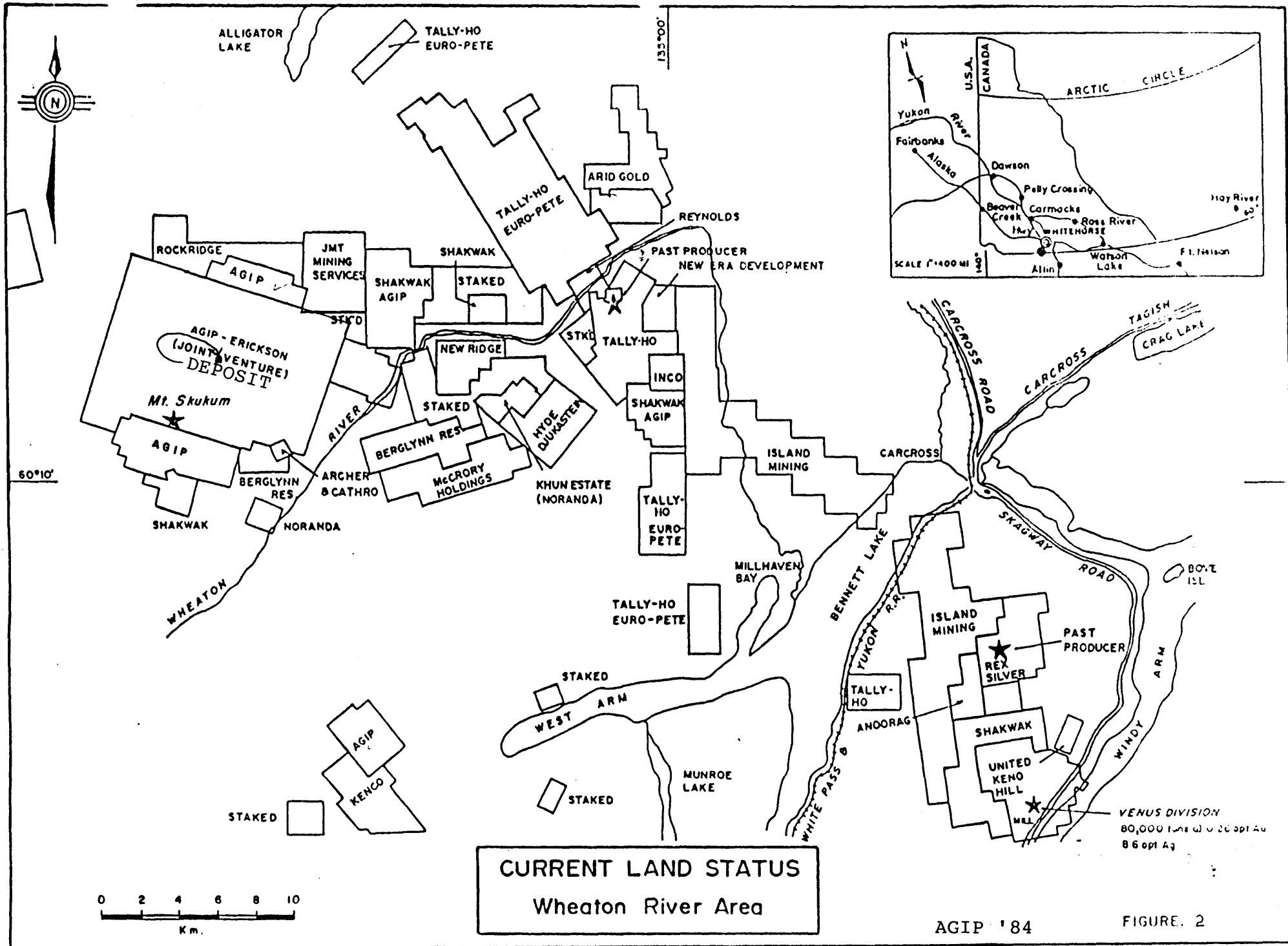
Location Map

YUKON

Scale: 1:5 Million	NTS:	Date: Jan., 1984
Author: R.R.	Drawn by:	Figure:



AGIP '84 Figure 1



**CURRENT LAND STATUS**  
Wheaton River Area

AGIP '84

FIGURE. 2

VENUS DIVISION  
80,000 (1.11) U 26 apt Au  
8 6 apt Ag

#### 4.1 EXPLORATION HISTORY

The Wheaton River District has been the subject of sporadic exploration since 1893 when precious metal and antimony veins were discovered in Tertiary volcanics and underlying Cretaceous granites. There is no record of previous exploration or staking in the central area of the Mt. Skukum Complex.

"While carrying out a regional reconnaissance program for uranium in Tertiary rocks in the southern Yukon in 1980, the AGIP field staff obtained a number of anomalous gold-silver silt samples from the Mt. Skukum area.

Subsequent follow-up in 1981 resulted in the discovery of several quartz-carbonate vein exposures and float carrying encouraging gold-silver values, the initial claims were staked and preliminary mapping, trenching, and rock soil geochem sampling was carried out. By the end of the '81 field season, the Main Cirque and Lake Zones had been identified as areas of positive interest.

During 1982, the claim group was substantially enlarged, geological mapping was expanded, and further geochemical, geophysical, and topographic control surveys were completed which defined additional target areas on the Middle Cirque and Brandy Zones. Twenty-eight widely spaced NQ-BQ diamond drill holes totalling 3315 metres were completed on the Main Cirque Zone, the Lake Zone, and other areas which yielded some local highly encouraging assay results.

Additional ground surveys and trenching were completed in 1983 and a further 40 holes were drilled (4642 metres) mainly to detail the Main Cirque Zone. Significant encouragement was found in the Brandy Zone trenching and additional high grade intercepts were obtained in the Main Cirque drilling."after Westervelt '84.

Based on the 1983 data three independent Cirque Zone ore reserve calculations were completed by Wright Engineers, Fisher and Westervelt.

During 1984 AGIP completed 61 diamond drill holes (6097 meters) and Erickson nearly completed driving a 600 meter long 3 x 3 meter exploration/production drift into the Cirque Zone ore bearing structure. AGIP carried out additional drilling on 5 sections in the Cirque Zone and calculated new reserve figures for three sections which the writer has incorporated with Westervelt's ore reserve calculations.

The cumulative meterage between 1982 and 1984 is listed by zone in Table 2.

TABLE 2  
DIAMOND DRILL STATISTICS 1982-1984

<u>Zone</u>	<u>1984 Drill Holes</u>	<u>1984 Meters</u>	<u>1982-1984 Drill Holes</u>	<u>1982-1984 Meters</u>
Cirque	5	378.86	63	6,988.11
Brandy	35	3,543.15	35	3,543.15
Lake	15	1,686.43	21	2,595.92
Middle Cirque	4	297.95	4	297.95
Other Holes	<u>2</u>	<u>191.11</u>	<u>6</u>	<u>629.91</u>
TOTALS	61	6,097.50	129	14,055.04

### 5.1 REGIONAL GEOLOGY AND MINERALIZATION

"Late in the geological evolution of the Western Cordillera, a period of crustal extension and block faulting occurred commencing in Late Cretaceous time. These events resulted in the development of a line of intermediate to felsic subaereal volcanic complexes of Upper Cretaceous to mid-Tertiary age localized along zones of downfaulting.

Volcanic centres of this age in the southern Yukon include the Mt. Skukum and Bennett Lake complexes, and the Mt. Nansen belt. The dominant rocks exposed in the Mt. Skukum area represent a shallow erosional remnant of the mid-Tertiary volcanic sequence and these host the veins of current interest. Throughout the Mt. Skukum area, the remnant capping volcanics are underlain at relatively shallow depth by a late Precambrian basement metamorphic complex which is locally intruded by Late Cretaceous granites and monzonites.

Although many precious metal vein prospects are known within the Tertiary volcanics elsewhere in the Yukon and some limited production has been achieved, the vein mineralization recently discovered by AGIP is substantially different and unusual. Whereas the previously reported veins are dominantly quartz with heavy sulphides (pyrite, galena, sphalerite, tetrahedrite, stibnite, etc), the AGIP veins are unusually high in carbonate, are almost totally devoid of any sulphides, and the precious metal values are present in extremely fine form.

#### 6.1 PROPERTY GEOLOGY

The Mt. Skukum property covers a roughly circular erosional remnant of the Tertiary volcanic complex which was emplaced during a period of major downfaulting and graben development. Although reconnaissance mapping has reasonably defined the basement rocks underlying the volcanics generally at shallow depth, the heavy talus slopes have precluded recognition of many of these major downfaulting structures and the overall structure within the volcanic sequence remains quite imperfectly known.

The Tertiary volcanics are flat lying to gently dipping throughout most of the area and are composed of a lower, dominantly andesitic sequence up to 1000 metres thick and an overlying dominantly rhyolitic flow sequence. Significant mineralization is confined mainly to the andesitic sequence which, in the main showings area,

is up to 700 metres thick and is composed almost entirely of massive porphyritic andesite with occasional discontinuous, andesitic tuff and basaltic lenses.

Throughout the area, the andesitic sequence is cut by a number of major, steeply dipping, elongated rhyolite plugs and dykes trending in a north to northeasterly direction. These obviously have intruded along previously existing zones of weakness and probably represent a major feeder system for the overlying rhyolitic flow sequence.

Both the andesitic and rhyolitic volcanics and the rhyolite intrusives are cut by infrequent, narrow diabasic and andesitic dykes.

## 6.2 MINERALIZATION

Quartz-carbonate stringers, veinlets, and veins with variable but often substantial precious metal values are widespread on the AGIP property. Some concentration of veining is evident in the main cirque area on the north slope of Mt. Skukum and several zones of significant mineralization have been defined by the field work to date. Although many of the higher grade assays are reported over narrow (3-5cm) widths, several surface exposures and drill intercepts have returned gold assays in the 30-100 gram range over widths well in excess of 1.5 metres.

The high grade precious metal values occur within massive quartz-carbonate vein material which is totally devoid of sulphides and rarely contains any visible free gold or obvious evidence of mineralization. The carbonate content is variable (from 10-90%) with the dominant carbonate being calcite occurring in unusual large laths, blocks, and brccia fragments within the quartz.

In all cases, the heavy quartz-carbonate veining is structurally controlled and is associated with major, steeply dipping fault structures cutting northerly to northeasterly through the andesitic sequence. In some cases, the stronger mineralization appears to be spatially related to the rhyolite intrusive bodies in proximity to the major fault systems.

Unfortunately, the surface expression of these structures is extremely limited and the lateral continuity of the zones and individual veins is difficult to establish due to the widespread overburden cover.

Two associated but distinctive types of quartz-carbonate veining are currently recognized:

- a)  $V_1$  veins - an early, barren stage with generally low carbonates, minor pyrite and chlorite, occurring mainly as extensive fine stockworks (in excess of 30% vein material), fine veinlets, and breccia infillings within the major fault structures.
- b)  $V_2$  veins - a later, relatively restricted, generally well mineralized stage with no sulphides and with 10-90% coarse fibrous calcite, occurring mainly as massive veins and breccia infillings and only rarely as stockworks.

The  $V_2$  veins clearly represent a late mineralizing event as they cut the  $V_1$  stockwork zones and all the known rock types with the possible exception of the late andesite dykes.

### 6.3 MINERALOGY

Limited mineralogical work has been carried out on representative high grade samples taken from surface exposures and drill core for initial mill testing. These preliminary results indicate the gold values are mainly present in the form of very fine (4-20 micron) native gold particles dusted through the quartz and along micro-fractures in the  $V_2$  veins. Some coarser gold up to

60 microns has been reported along with traces of tellurides and sub-trace particles of sphalerite, galena, magnetite and chalcopryrite. The gold is confined to the quartz in the  $V_2$  veins - the accompanying carbonates are apparently totally devoid of values.

Not surprisingly, the initial gravity separation tests on this very finely dispersed mineralization gave very poor recoveries. Subsequent cyanidation tests produced quite satisfactory results - 97.5 to 98.4% of the gold and 87.4 to 93.2% of the silver were recovered under reasonable grinding and reagent consumption conditions.

#### 6.4 ALTERATION

With the exception of minor bleaching (up to 3cm) and local clay gouge development along the contacts, no diagnostic alteration has yet been recognized associated with the mineralized  $V_2$  veins.

The host volcanics are generally quite fresh with variable moderate to strong alteration being confined to fractures and strong fault structures. Local silica flooding and pyritization is commonly evident in the stockwork areas within the major fault zones and clay gouge development and sericitization of the rhyolites is frequently found adjacent to stronger faults and along some vein contacts.

In most cases, these alteration features are clearly associated with earlier hydrothermal events and pre-date the later precious metal mineralization.

#### 6.5 THE MAIN OR CIRQUE ZONE

This initial discovery zone - consisting of a number of scattered quartz-carbonate vein exposures, was found through direct follow-up of the original silt sample anomalies. Preliminary drilling in 1982 provided some encouraging assays and detailed fill-in drilling at 25 metre centres was carried out in 1983 and 1984.

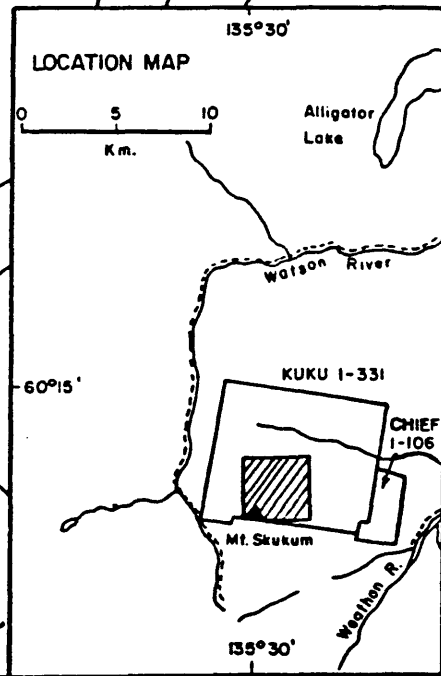
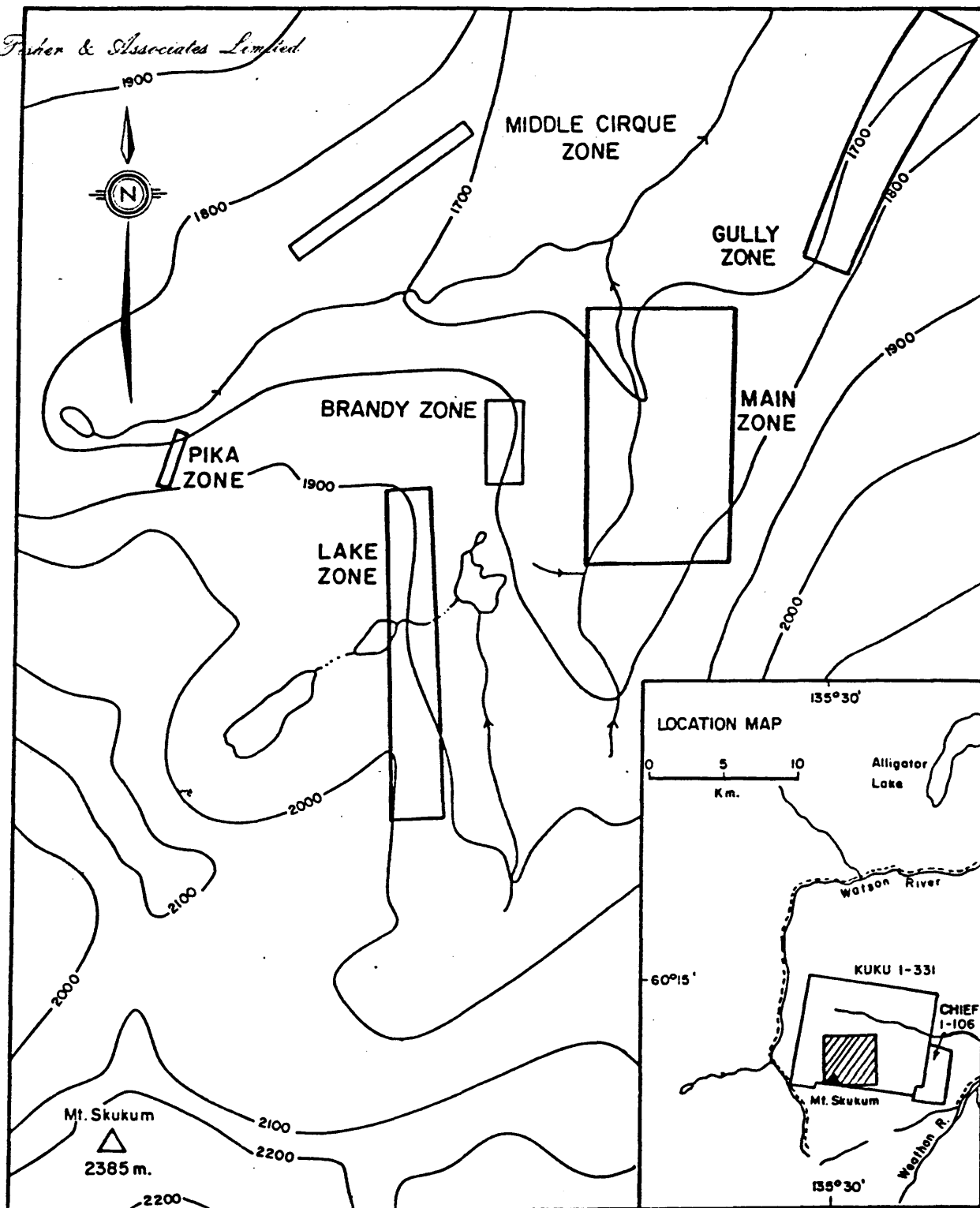
As shown on the accompanying plans and sections (Fig. 4 - 15), the detailed work has defined a major, northeasterly trending fault structure dipping vertically to steeply east through a flat lying volcanic assemblage with numerous rhyolite dykes and intrusives. The fault structure is expressed as a complex branching zone of variable alteration, brecciation, and intense quartz-carbonate stockwork development over widths from a few metres up to 20 metres.

Significant mineralization is restricted to a massive vein quartz-carbonate lens and splay veins located along the fault hanging-wall. This zone has been outlined quite continuously by 37 drill holes at 25 metre centres over a strikelength of 200 metres and though a vertical range of 80 metres. Local widths up to 9.5 metres are reported with a general average of about 2.5 metres.

Substantial drilling at depth and along strike have reasonably delimited the mineralized zone - both laterally and vertically the veins appear to splay out and weaken and the assay grades drop sharply. A total of 68 holes have been drilled over the zones strike length of 700 plus meters.

As outlined in a following section, a substantial drill indicated reserve is reasonably well assured in this area " after Westervelt '84.

Arthur T. Fisher & Associates Limited



Fisher '84

<b>AGIP CANADA LTD.</b>		
<b>ZONE LOCATION MAP</b>		
<b>MT. SKUKUM MAIN CIRQUE</b>		
<b>YUKON</b>		
Scale: 1:16,000	NTS: 105 / D	Date: FEB. / 84
Author: R.A.D.	Drawn by: J.B.	Figure: 3

## 7.1 ORE RESERVE ESTIMATION

Although widespread drilling has been carried out on the Mt. Skukum property and several zones of further exploration merit have been defined, only the Main or Cirque Zone has been tested in sufficient detail to allow any meaningful ore reserve estimates at the present time.

As outlined earlier, the mineralization on the Cirque Zone has been closely drilled at 25 metre centres and reasonable geological and assay continuity has been defined for a ore shoot over a 200 metre length through a vertical range of 80 metres. Although some of the geological parameters have yet to be fully defined, the zone has been outlined by 37 contiguous drill holes and the control is sufficiently tight to permit estimation of reserves on a well assured basis.

In preparing the current estimate, the writer has referred to three prior studies. The reserve estimates carried out by Wright Engineers (September '83), (this report was not available for the present study), Arthur T. Fisher and Associates Limited (Feb '84), and Ralph A. Westervelt, Westervelt Engineering Ltd. (May '84) all used the data base that existed at the end of the 1983 exploration season. The reserve estimate by R.A. Doherty, for AGIP Canada and the current estimate used the same data base as it existed at the end of the 1984 exploration season.

## 7.2 METHOD

The current ore reserve estimate has been made using standard engineering techniques.

The drill hole assay data has been reviewed and assay intercepts selected with due regard to lithology. These have been plotted on overlays of Fisher's geological sections updated with the 1984 drill holes, drawn at 25 metre intervals through the deposit on a 1:250 scale. Copies of Fisher's 1:250 scale geological sections 2+25S to 0+00S are included as an appendix to the Vancouver office copy of this report.

Where adequate geological continuity is assured both vertically and between sections, the assay intercepts have been joined and an outline of the reserve area has thereby been defined on each section. These outline areas have been subdivided into individual blocks extending the shorter distance of half way between drill holes or 12.5 meters on each section. Tonnages have been estimated for each individual block by measuring the area on section with a planimeter and then extrapolating the area half way (12.5 meters) to the adjoining sections and using a specific gravity of 3. Average grades for each section have been calculated using the assay intercept grades for each individual block, weighted by the tonnage represented by each block. The block and section tonnages and grades are tabulated on the appropriate sections.

The total reserve tonnage and grade has then been determined by calculating a weighted average grade dependent on the total tonnage and grade data represented on all of the sections.

### 7.3 PARAMETERS

In calculating tonnages, a specific gravity factor of 3, as used in the four previous studies, has been used, which closely agrees with the test results of 2.9 obtained by AGIP on representative mineralized vein material.

In selecting assay intercepts, all vein material and adjacent stockwork assaying over 8 gm Au per tonne (\$96 Cdn/tonne) were considered. All listed assay values (usually four) for each assay interval were averaged before being weighted for length.

The cut-off parameters of plus 8 gm/tonne Au over a minimum mining width of 1.5 meters true thickness were then strictly applied. The strict adherence to these cut-off parameters has resulted in the inclusion of less internal low grade in this study than appears to

have been the case in previous studies which used lower cut-off grades for Au and/or narrower minimum mining widths.

Grades and tonnages for silver were not calculated since previous studies indicate silver is not going to have a significant impact on the economics of the deposit.

No attempt has been made to cut any of the assay grades. Cutting is generally carried out where coarse free gold is encountered and sporadic erratic highs are suspected. In view of the fine gold, consistent high grades, and excellent assay re-checks at Mt. Skukum, no cutting is currently considered justified.

In view of the lateral and vertical fade out of the mineralization, close assay control will be required to define the mining cut-offs particularly around the periphery of the deposit. Considerable dilution with lower grade material should be anticipated under actual mining conditions. An overall tonnage dilution of 30% is estimated.

The four previous studies used an average dilution grade of 3 gm Au and 2 gm Ag per tonne. The average grade of the wall rock which will contribute the estimated 30% tonnage dilution was calculated for this study to be 0.75 gm/tonne Au. Table 3 summarizes the parameters used for the five ore reserve studies.

#### 7.4 ORE RESERVE ESTIMATE RESULTS

The current estimate of "mineable reserves" indicates 81,640 Tonnes, including 30% dilution, are available at a weighted grade of 34.22 gm/Tonne Au (89991 short Tons grading 0.998 oz/short ton). A summary of total tonnes, grade and contained metal for the present study and the previous four studies are presented as Table 4. The detailed section by section comparison of the current estimate and the previous three studies is presented as Table 5.

The detailed calculations for each section in the current estimate are tabulated, block by block, on the appropriate attached reduced scale cross sections and on the file copy original 1:250 scale working sections, Figures 5 to 14.

Cirque Zone - Ore Reserve Parameters Comparison, Table 3

<u>Company</u>	<u>Cut-off Gm/tonne Au</u>	<u>Min.Mining Width,Meters</u>	<u>Dilution</u>		
			<u>Tonnes</u>	<u>Gm/T Au</u>	<u>Gm/T Ag</u>
Wright Engineers Ltd.	?	?	?	?	?
A.T. Fisher & Assoc.	7.0	1.0	30%	3.0	2.0
Westervelt Engineering	6.0	1.5	30%	3.0	2.0
AGIP Canada by Doherty	7.0	?	30%	3.0	2.0
Kerr Addison by Clendenan	8.0	1.5 true	30%	0.75	-

Cirque Zone - Ore Reserve Results Comparison, Table 4

<u>Company</u>	<u>Tonnes</u>	<u>Gm/T Au</u>	<u>Total Grams Gold</u>	<u>Gm/T Ag</u>	<u>Total Grams Silver</u>
Wright Engineers Ltd.	237,000	19.93	4,735,260	16.64	3,943,680
A.T. Fisher & Assoc.	210,613	20.93	4,408,130	22.13	4,660,866
Westervelt Engineering	148,980	24.98	3,722,077	20.5	3,048,203
AGIP Canada by Doherty	133,957	25.45	3,409,206	20.35	2,726,025
Kerr Addison by Clendenan	81,640	34.22	2,793,721	-	-

MOUNT SKUKUM RESERVES COMPARISON by SECTION

SECTION	FISHER Feb '84			WESTERVELT May '84			AGIP/DOHERTY '84			KERR/CLENDENAN June '85	
	TONNES	GM T/Au	GM T/Ag	TONNES	GM T/Au	GM T/Ag	TONNES	GM T/Au	GM T/Ag	TONNES	GM T/Au
225S	0			0						0	
200S	4125	14.98	9.89	4125	22.21	26.6	Westervelt's			3068	21.36
175S	10125	8.69	7.62	16875	9.00	9.9	Westervelt's			9675	11.87
150S	36375	42.64	42.75	27525	35.04	38.9				16625	56.83
4660N							19350	43.61	37.92		
125S	6450	10.25	7.22	3375	6.72	5.8	Westervelt's			00	
100S	28500	25.40	41.47	24150	38.64	29.3				16816	38.79
4724N							25965	32.54	29.42		
75S	36500	29.87	32.77	17325	42.35	31.0	Westervelt's			8381	73.63
50S	21000	12.65	13.65	14700	17.37	8.9				4925	32.28
4756N							9504	17.08	10.19		
25S	14437	27.0	11.11	6525	71.43	36.3	Westervelt's			3310	68.42
0+00S	4500	5.71	4.50	0						0	
SUBTOTAL	162010	26.31	28.17	114,600	31.58	26.0	103044	32.19	25.86	62800	44.27
DILUTION 30%	48603	3.0	2.0	34380	3.00	2.0	30913	3.0	2.0	18840	.75
TOTALS	210613	20.93	22.13	148980	24.98	20.5	133957	25.45	20.35	81640	34.22
CUT OFF		7.0			6.00			7.00			8.00
Minimum Mining Width	1.0 Meter		1.5 Meters						1.50 Meters True Width		

TABLE 5

It should be noted that the previous studies and evaluations were carried out for somewhat different reasons than the present study. Fisher's, (Feb 84) study was done for AGIP to provide a basis on which to establish a value for the property before AGIP sought a partner to continue exploration and development. Westervelt's (. May'84) study was done for Erickson Gold Mines Ltd. as a basis for Erickson's evaluation of whether or not they should enter into a development agreement with AGIP. AGIP's (Dec 84) study by Doherty was carried out to update , with 1984 drill data, reserves on 3 sections in the Cirque deposit, and to calculate reserves for the Brandy Zone. AGIP's (Dec 84) reserves for the Brandy Zones 1 and 2 are 27427 Tonnes grading 17.12 gm/tonne Au and 13.02 gm/tonne Ag. This study was carried out as Kerr Addison's in house evaluation of the deposit using a more rigorously applied and higher Au cut-off(to reflect the present lower price of gold) and a rigorously applied 1.5 meter, true thickness, minimum mining width, to determine if Kerr should take part of AGIP's interest in the property, if Erickson did not, by June 30, 1985 elect to place the property in production.

As outlined previously, the drill indicated reserves in this study are reasonably assured and can be considered as a firm minimum target within the Cirque Zone. Additional peripheral reserves have been developed in the immediate vicinity but the current data is too limited to consider them as mineable reserves.

The reserve summary (Table 5) indicates a considerable weakening of the zone on Section 1+25S, between the two sections (1+50S and 1+75S) which together contain 53% of the reserves.

## 8.1 CONCLUSIONS

"AGIP's exploratory work on the Mt. Skukum project over the past three years has resulted in the discovery of a significant, high grade, gold-silver ore shoot within a Tertiary volcanic system. Mineralization occurs within massive vein quartz with variable but generally high carbonates injected along fractures and zones of dilatency developed within a major fault structure. Although some of the geological parameters remain to be defined, the drill indicated reserves are quite reasonably assured and warrant underground development.

The style of mineralization, complex veining, and geological environment are features commonly found in some of the important, highly productive, epithermal vein districts associated with the Tertiary volcanism in the western United States.

Widespread vein mineralization has been encountered elsewhere on the property and several areas of immediate interest have been defined, by the AGIP staff, which should continue to be investigated in detail. The surface showings in these areas are certainly as impressive as the original showings and any one of these zones could produce reserves comparable to the Cirque Zone." after Westervelt '84.

Erickson Gold Mines Ltd. elected by June 30, 1985 to place the Cirque Zone in production. Since Erickson are the operator and will determine variables such as mining method, rate of production and mill characteristics it will be challenging for Kerr Addison to determine the value of part of AGIP's interest in the property.

### 9.1 Recommendations

In view of the relatively small size and especially the irregularity of grades within the Cirque Zone, very detailed exploration and drilling from surface and underground, and underground bulk sampling should be carried out before committing to place the deposit in production.

A short shaft or decline ( 50 to 75 meters) in the center of the Cirque deposit would provide exploration access for drilling and bulk sampling on the 1700 meter level. This exploration shaft might be redundant from a production standpoint. Erickson have nearly completed a 600 meter long, production type drift at the 1635 meter level which is designed to provide access for underground testing and mining. Since this long drift is nearly completed it may now be cheaper to carry out the underground bulk sampling from the 1635 meter level drift rather than sink a short shaft or decline.

Further exploration should also be carried out on the other zones on the Mount Skukum property.

Kerr Addison should discuss with AGIP the possible terms and costs to acquire all or part of AGIP's interest in the Cirque Zone and other potential ore zones in the Mt. Skukum area.

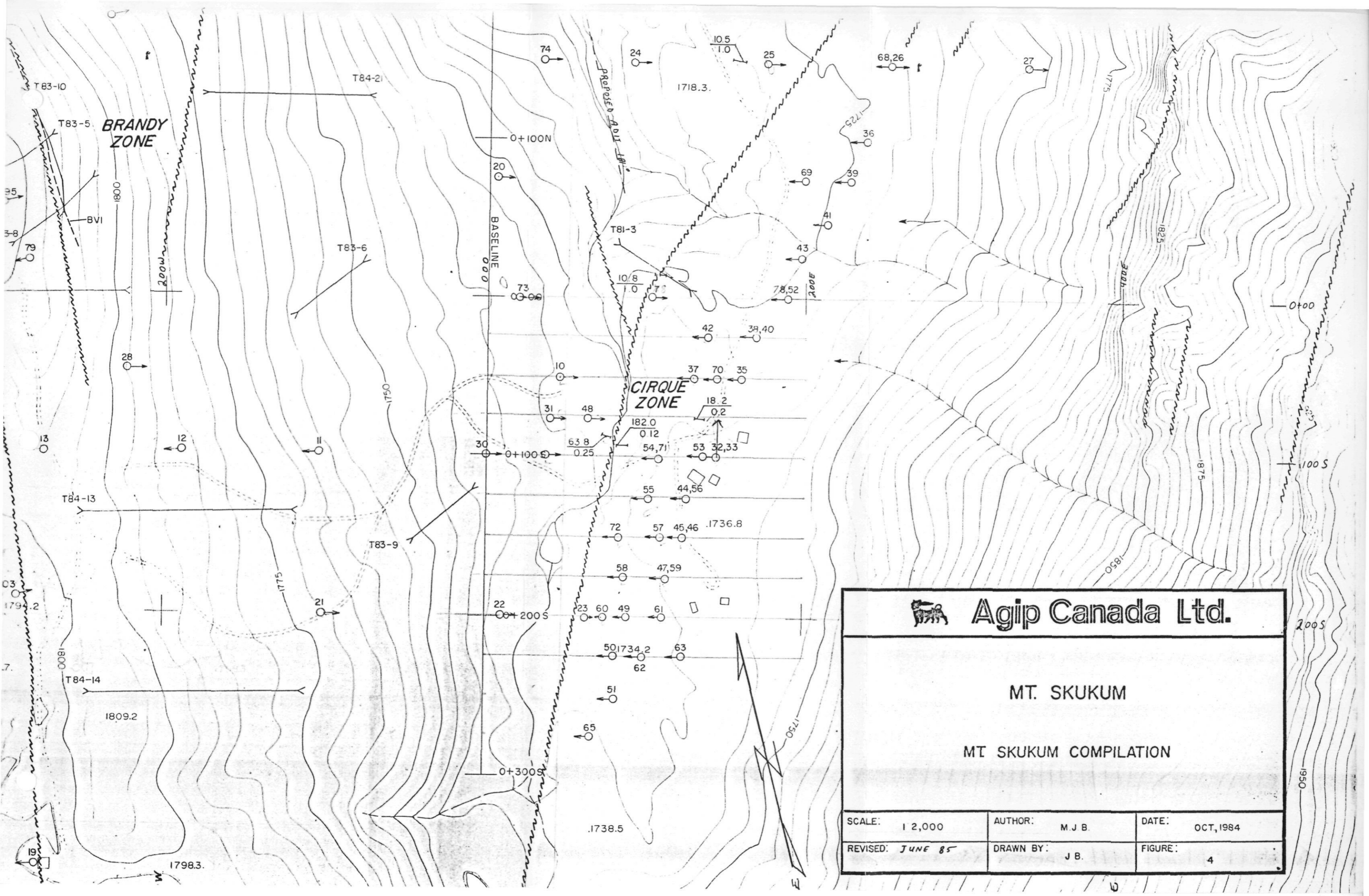
Respectfully submitted,

---

A. D. Clendenan,  
P.Geol. Alberta, F.G.A.C.

KEY REFERENCES

- AGIP Canada Ltd. (1981): Southwestern Yukon Project, 1981 Exploration Activities, 113 pages.
- AGIP Canada Ltd. (1982): Mount Skukum Project, 1982 Exploration Activities, 52 pages.
- AGIP Canada Ltd. (1983): Mount Skukum Project, 1983 Exploration Activities, 49 pages.
- AGIP Canada Ltd, Doherty, R.A. (Dec 1984) Mt. Skukum Project, 1984 Exploration Activities, AGIP & Erickson Joint Venture 35 pages.
- Fisher, A.T. (1984): Ore Reserve Study of the Mount Skukum project, Southern Yukon; Arthur T. Fisher and Associates Limited, Vancouver.
- International Geosystems Corporation, Vancouver, B.C. (1984): Assay listings of 68 drill holes on the Mt. Skukum Au-Ag Vein, Yukon Territory.
- International Geosystems Corporation, Vancouver, B.C. (1984): Geolist of 68 drill holes on the Mt. Skukum Au-Ag Vein, Yukon Territory.
- International Geosystems Corporation, Vancouver, B.C. (1984): Assay listings of drill holes 69 to 107 Mt. Skukum Au-Ag Vein, Yukon Territory.
- International Geosystems Corporation, Vancouver, B.C. (1984): Geolist of drill holes 69 to 107 on the Mt. Skukum Au-Ag Vein, Yukon Territory.
- Westervelt, R.D. (1984): A Summary Review Report on the Geology, Drill Indicated Reserves, and Exploration Potential of the Mt. Skukum Au-Ag Project, Wheaton River Area, Yukon for Erickson Gold Mines Ltd., Westervelt Engineering Ltd., Vancouver, B.C.



**Agip Canada Ltd.**

**MT. SKUKUM**

**MT SKUKUM COMPILATION**

SCALE: 1:2,000	AUTHOR: M.J.B.	DATE: OCT, 1984
REVISED: JUNE 85	DRAWN BY: J.B.	FIGURE: 4

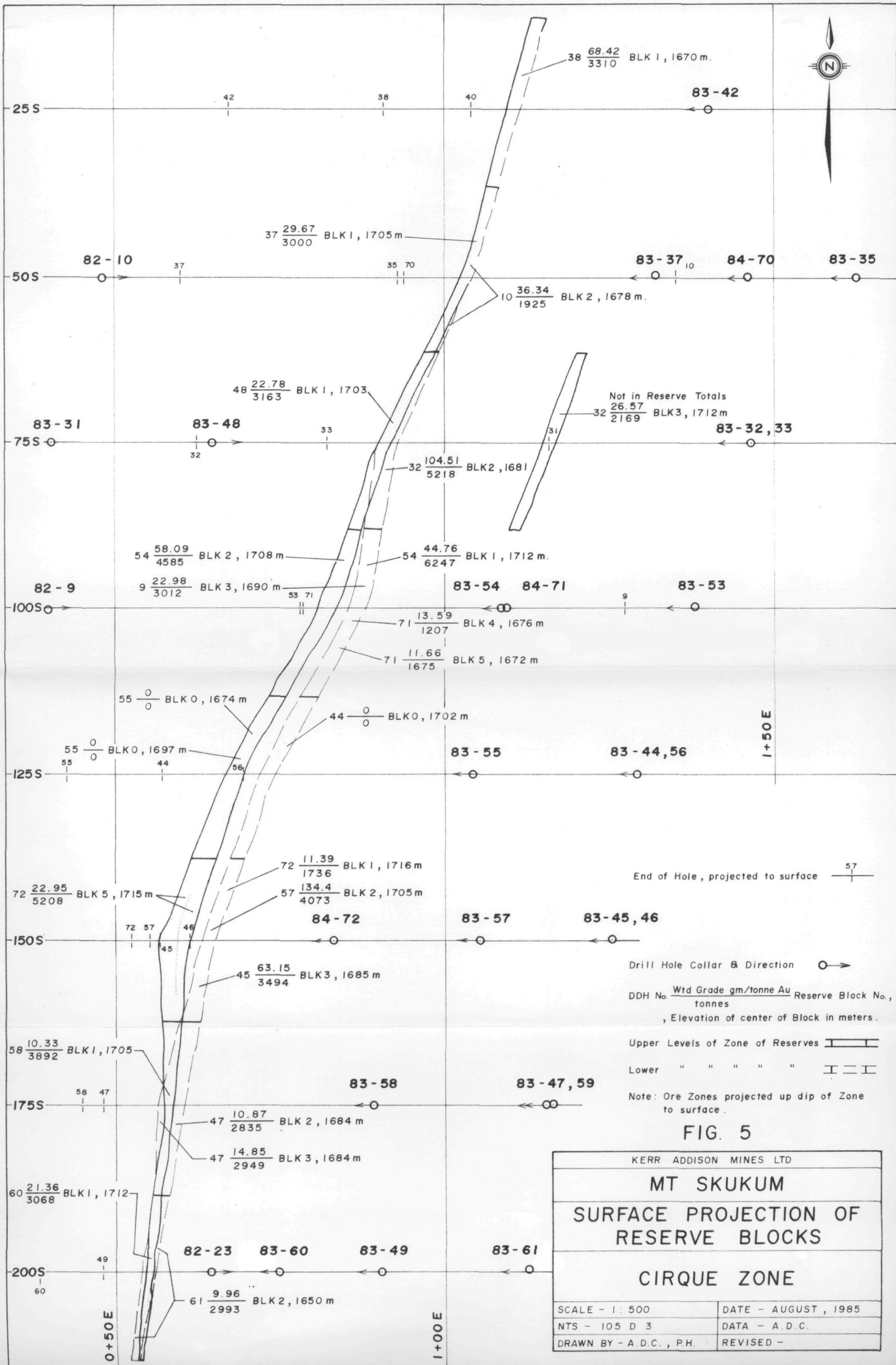
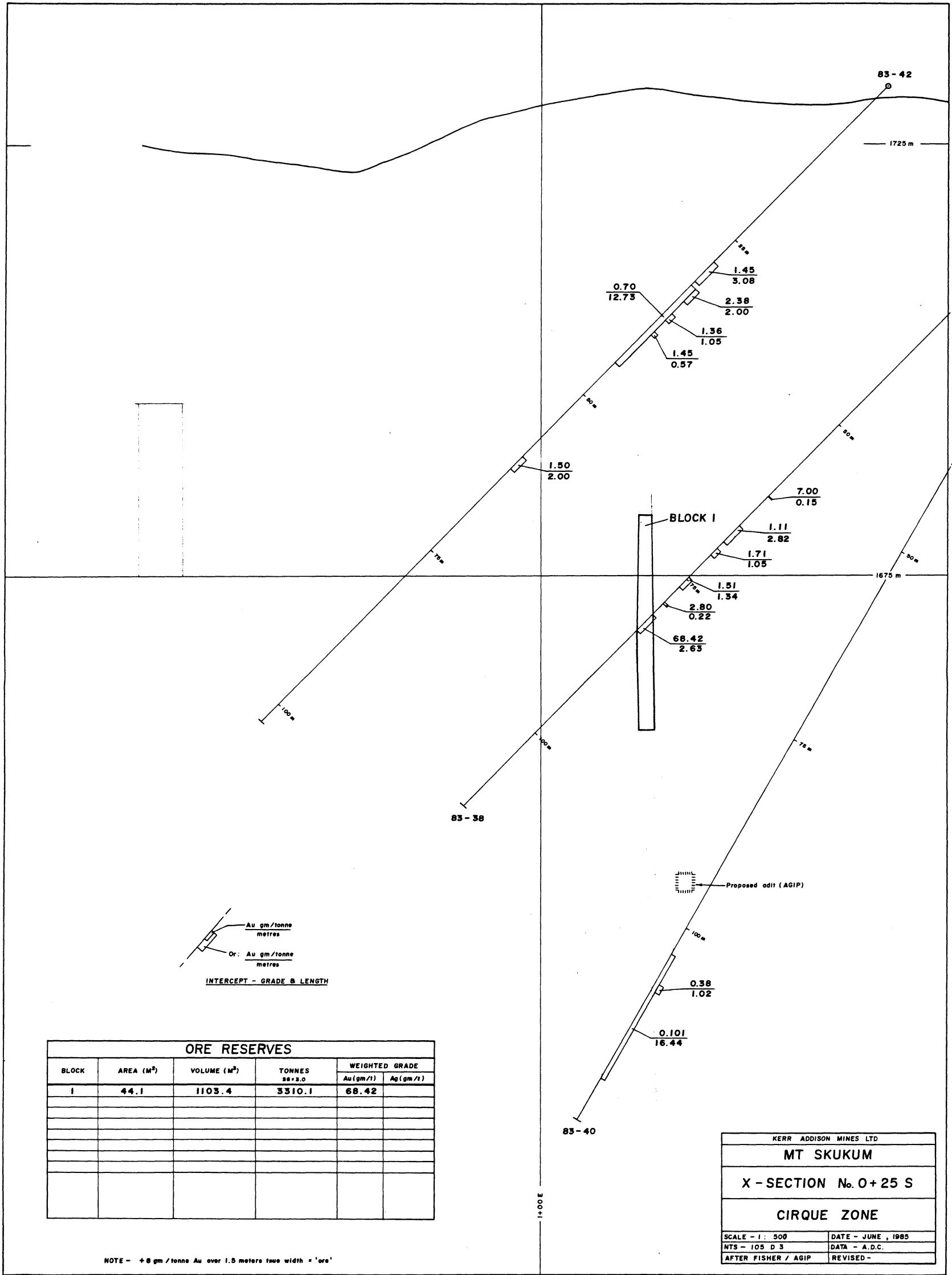


FIG. 5

KERR ADDISON MINES LTD	
MT SKUKUM	
SURFACE PROJECTION OF RESERVE BLOCKS	
CIRQUE ZONE	
SCALE - 1 : 500	DATE - AUGUST, 1985
NTS - 105 D 3	DATA - A.D.C.
DRAWN BY - A.D.C., P.H.	REVISED -



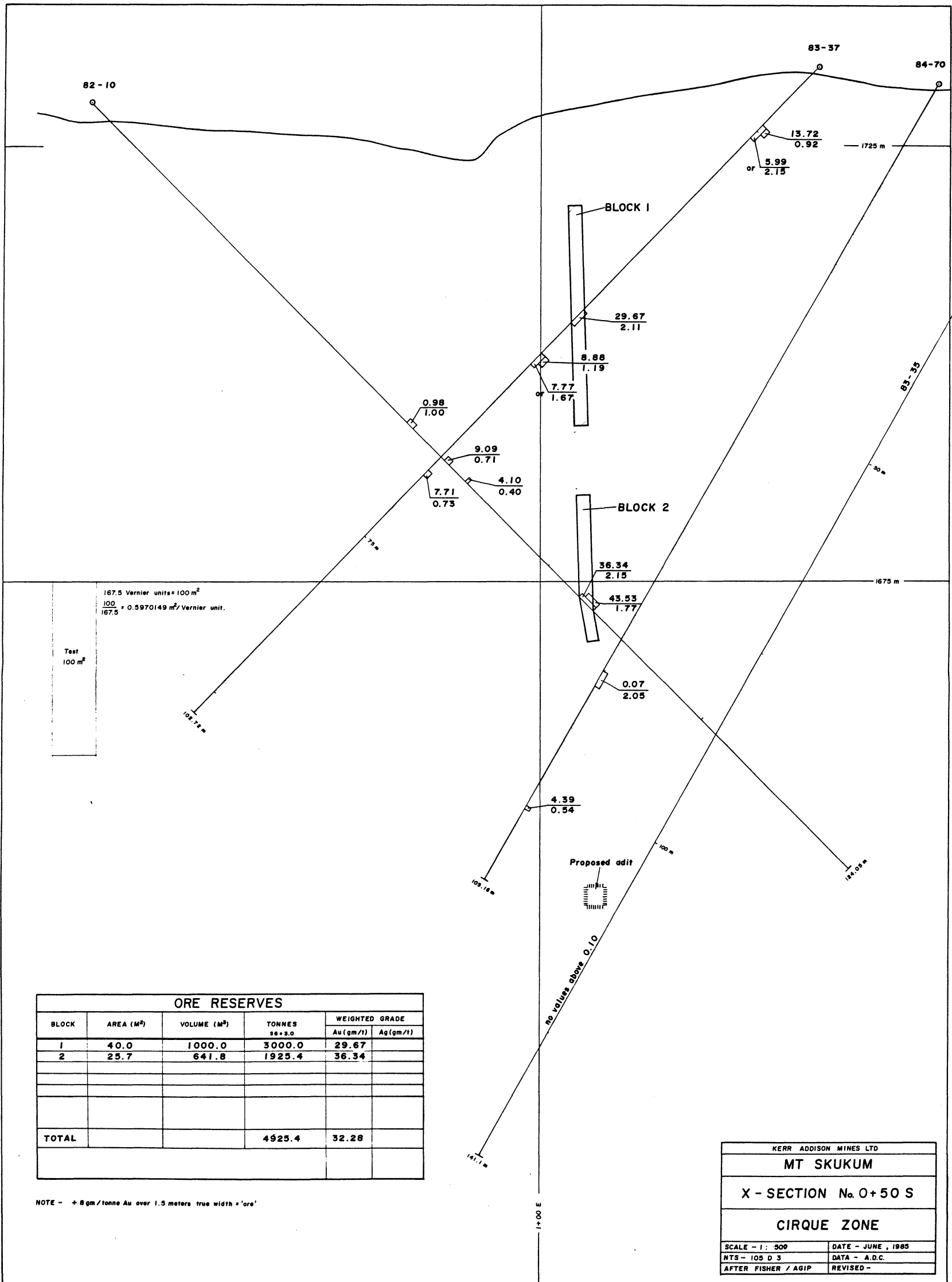


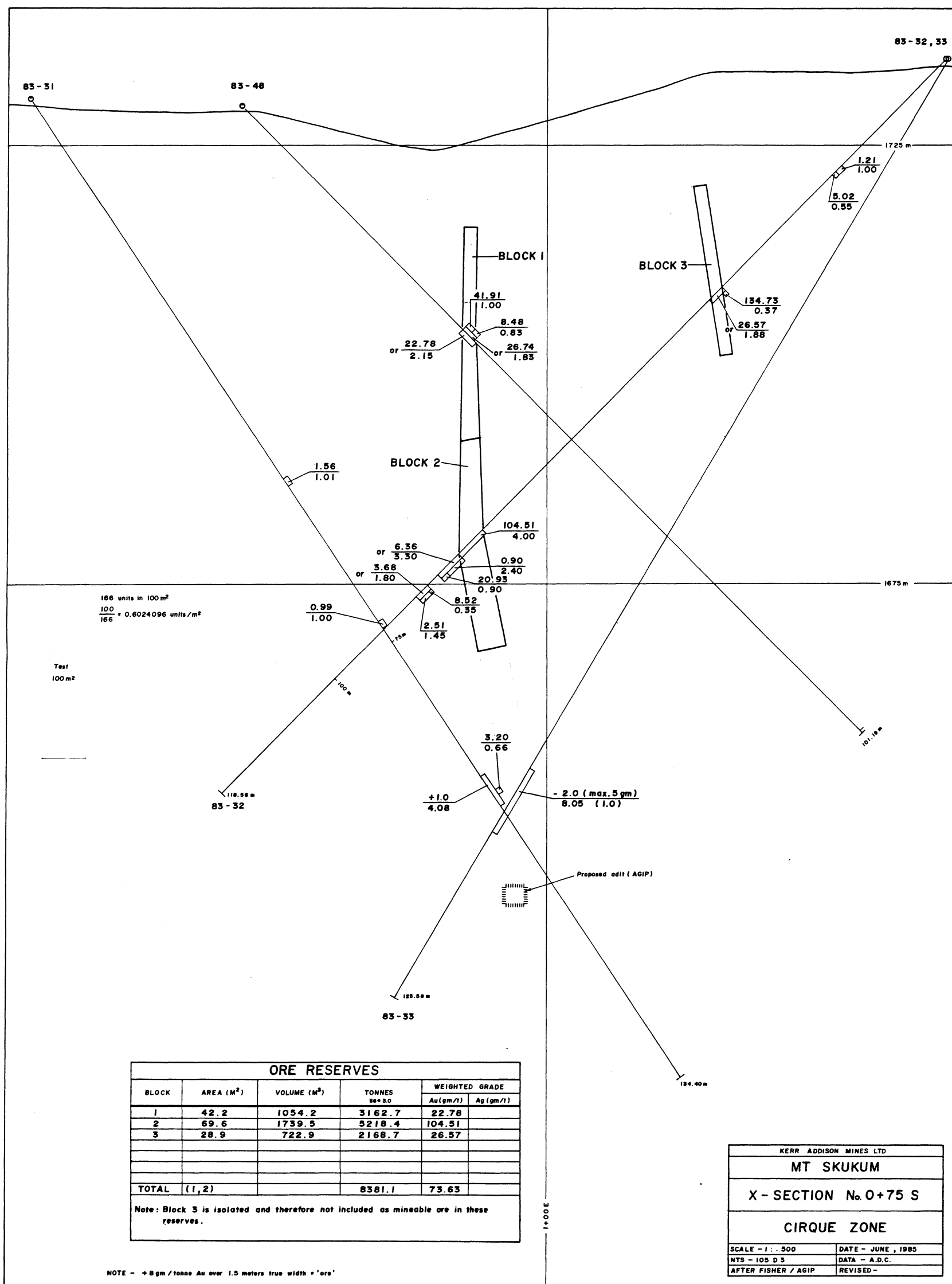
$\frac{\text{Au gm/tonne}}{\text{metres}}$   
 Or:  $\frac{\text{Au gm/tonne}}{\text{metres}}$   
**INTERCEPT - GRADE & LENGTH**

ORE RESERVES					
BLOCK	AREA (m <sup>2</sup> )	VOLUME (m <sup>3</sup> )	TONNES 36*3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	44.1	1103.4	3310.1	68.42	

NOTE - + 8 gm / tonne Au over 1.5 meters true width = 'ore'

KERR ADDISON MINES LTD	
MT SKUKUM	
X - SECTION No. 0 + 25 S	
CIRQUE ZONE	
SCALE - 1 : 500	DATE - JUNE , 1985
NTS - 105 D 3	DATA - A.D.C.
AFTER FISHER / AGIP	REVISED -





166 units in 100 m<sup>2</sup>  
 $\frac{100}{166} = 0.6024096 \text{ units/m}^2$

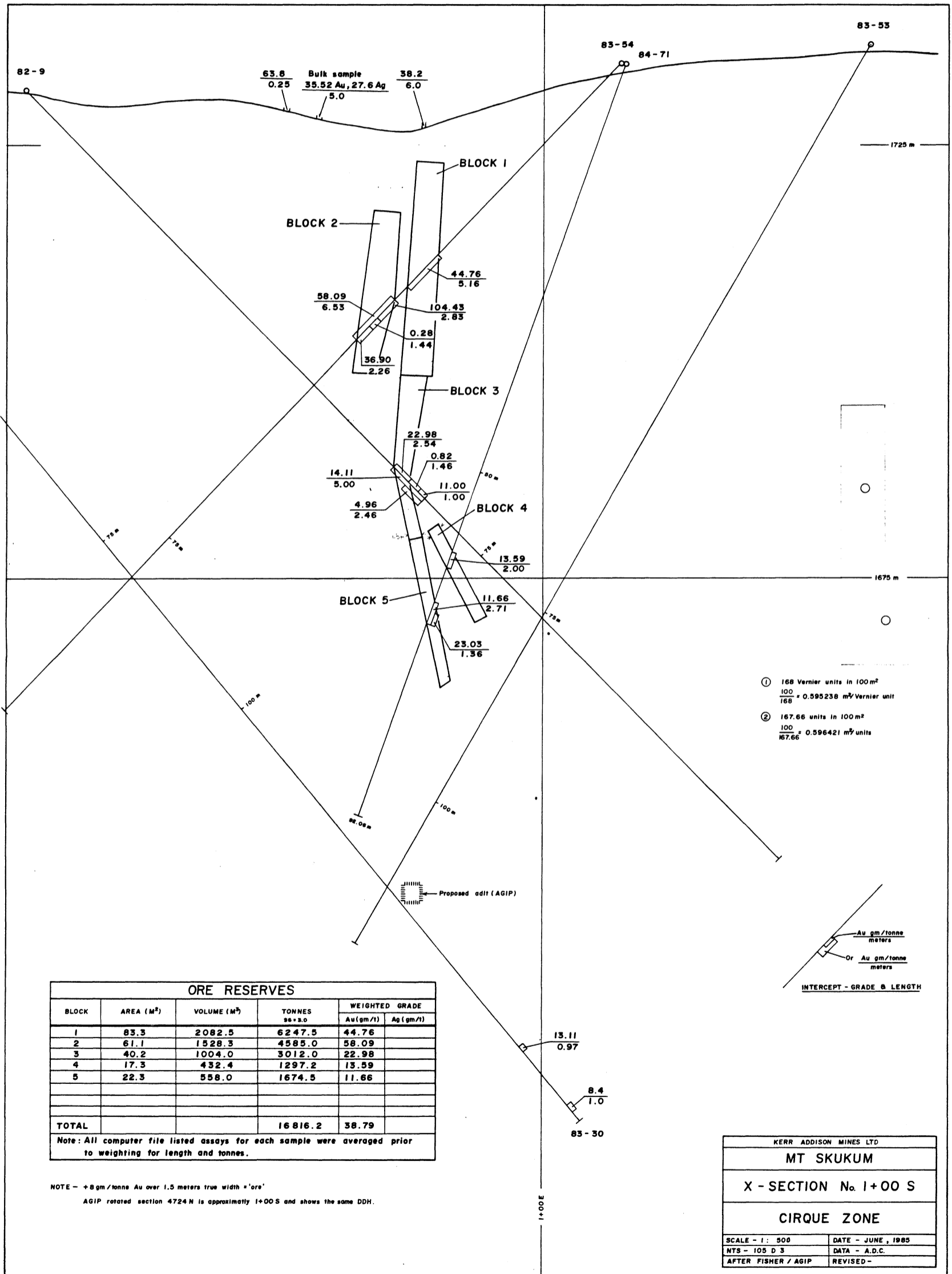
Test  
 100 m<sup>2</sup>

ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES @ ± 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	42.2	1054.2	3162.7	22.78	
2	69.6	1739.5	5218.4	104.51	
3	28.9	722.9	2168.7	26.57	
TOTAL (1,2)			8381.1	73.63	

Note: Block 3 is isolated and therefore not included as mineable ore in these reserves.

NOTE - + 8 gm / tonne Au over 1.5 meters true width = 'ore'

KERR ADDISON MINES LTD	
MT SKUKUM	
X - SECTION No. 0+75 S	
CIRQUE ZONE	
SCALE - 1 : 500	DATE - JUNE, 1985
NTS - 105 D 3	DATA - A.D.C.
AFTER FISHER / AGIP	REVISED -



63.6  
0.25 Bulk sample  
35.52 Au, 27.6 Ag  
5.0

38.2  
6.0

58.09  
6.53

36.90  
2.26

14.11  
5.00

4.96  
2.46

23.03  
1.36

44.76  
5.16

104.43  
2.83

0.28  
1.44

22.98  
2.54

0.82  
1.46

11.00  
1.00

13.59  
2.00

11.66  
2.71

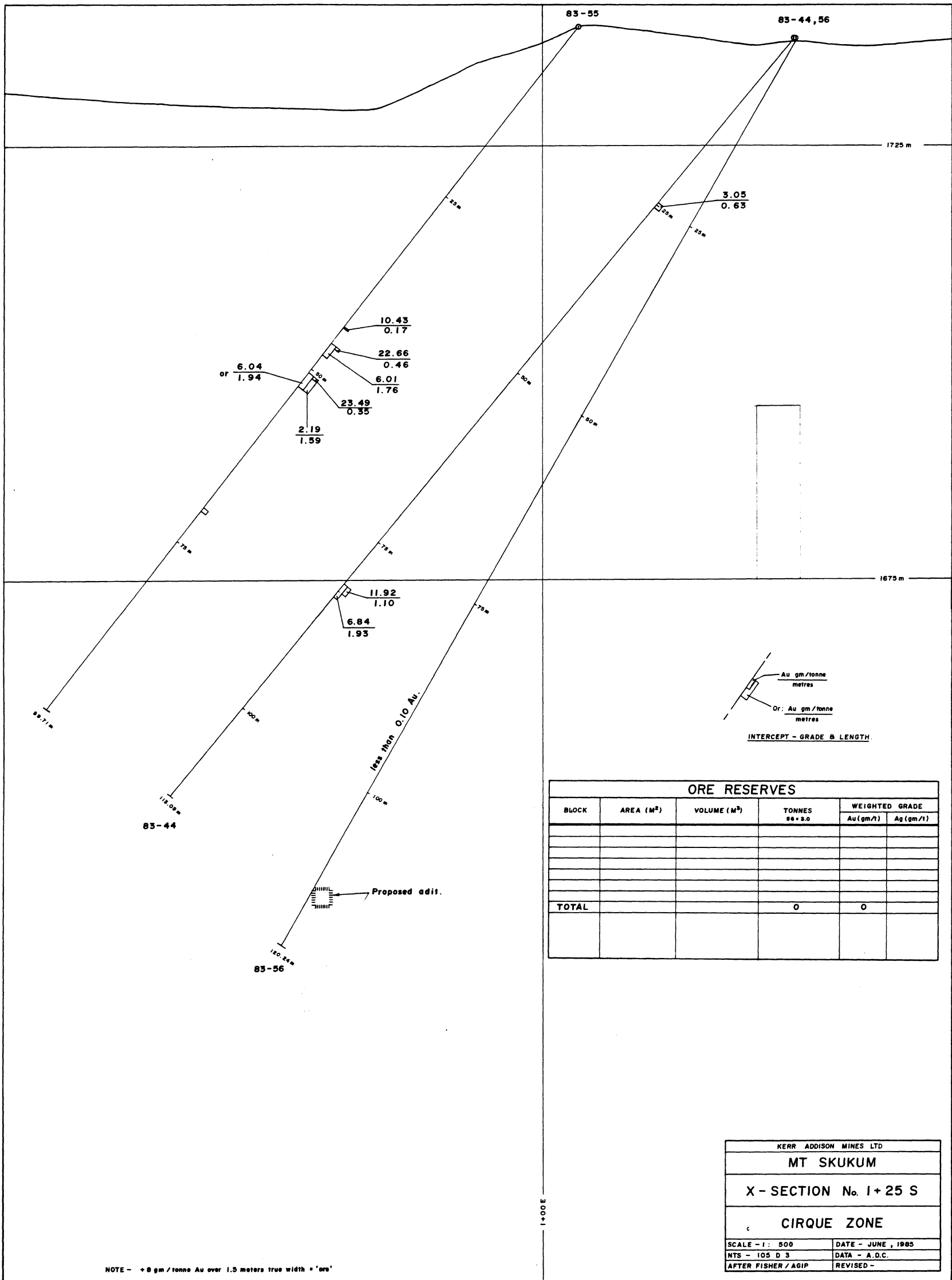
- ① 168 Vernier units in 100 m<sup>2</sup>  
 $\frac{100}{168} = 0.595238 \text{ m}^3 \text{ Vernier unit}$
- ② 167.66 units in 100 m<sup>2</sup>  
 $\frac{100}{167.66} = 0.596421 \text{ m}^3 \text{ units}$

ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES ss+3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	83.3	2082.5	6247.5	44.76	
2	61.1	1528.3	4585.0	58.09	
3	40.2	1004.0	3012.0	22.98	
4	17.3	432.4	1297.2	13.59	
5	22.3	558.0	1674.5	11.66	
TOTAL			16816.2	38.79	

Note: All computer file listed assays for each sample were averaged prior to weighting for length and tonnes.

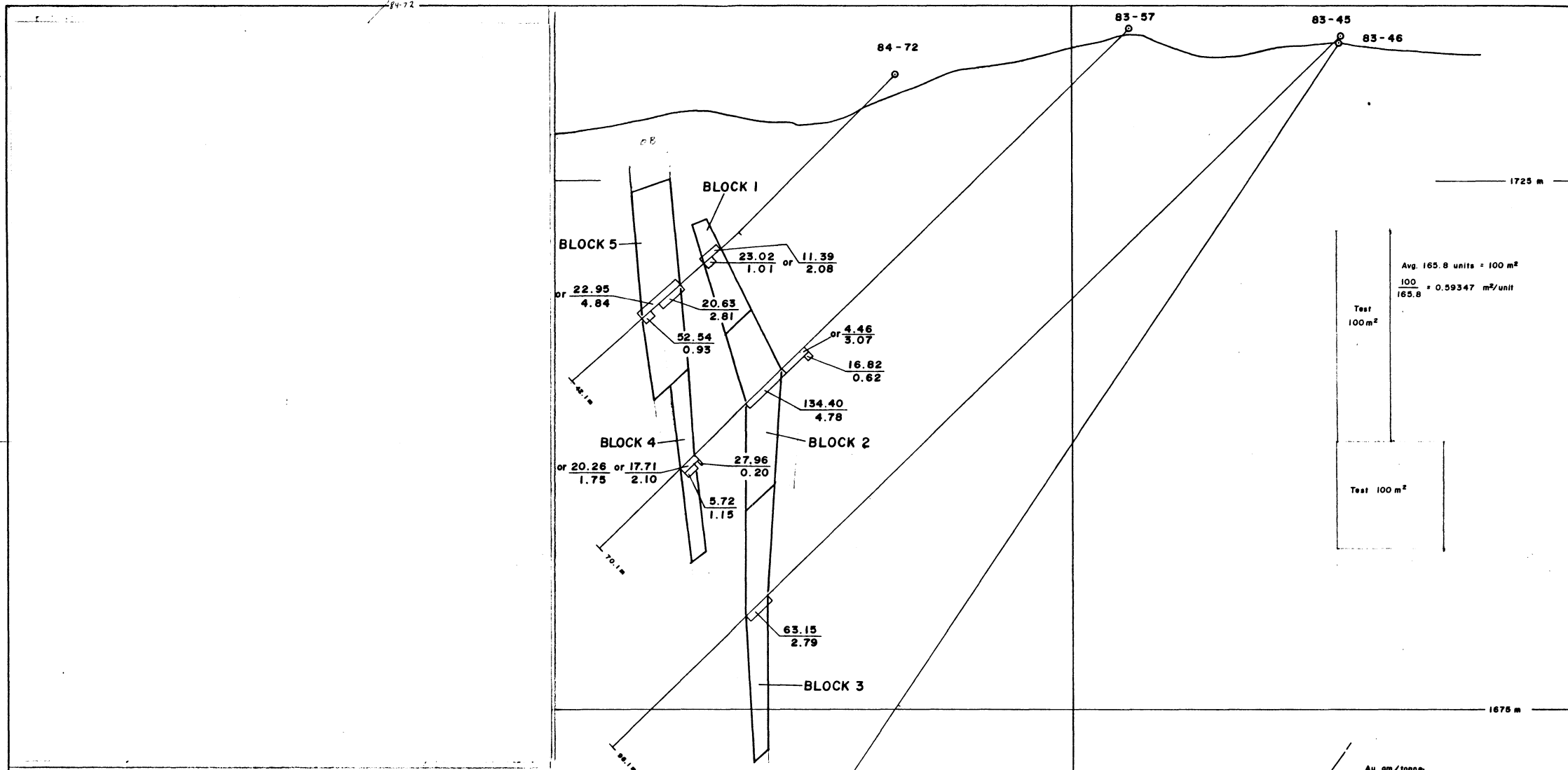
NOTE - + 8 gm/tonne Au over 1.5 meters true width = 'ore'  
AGIP rotated section 4724 N is approximately 1+00 S and shows the same DDH.

KERR ADDISON MINES LTD  
MT SKUKUM  
X - SECTION No. 1+00 S  
CIRQUE ZONE  
SCALE - 1 : 500 DATE - JUNE, 1985  
NTS - 105 D 3 DATA - A.D.C.  
AFTER FISHER / AGIP REVISED -



ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES 80 x 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
TOTAL					

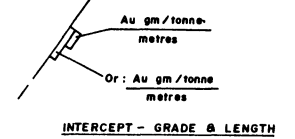
KERR ADDISON MINES LTD  
 MT SKUKUM  
 X - SECTION No. 1 + 25 S  
 CIRQUE ZONE  
 SCALE - 1 : 500      DATE - JUNE , 1985  
 NTS - 105 D 3      DATA - A.D.C.  
 AFTER FISHER / AGIP      REVISED -



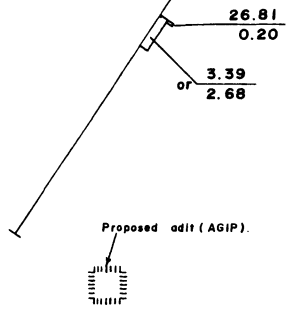
ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES 30 ± 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	23.1	578.6	1735.9	11.39	
2	54.3	1351.6	4072.7	134.40	
3	46.6	1164.7	3494.1	63.15	
4	28.2	704.7	2114.2	17.71	
5	69.4	1735.9	5207.7	22.95	
<b>TOTAL</b>			<b>16625</b>	<b>56.83</b>	

Note: Au grades were averaged for all listed assays before being weighted for length and tonnes.

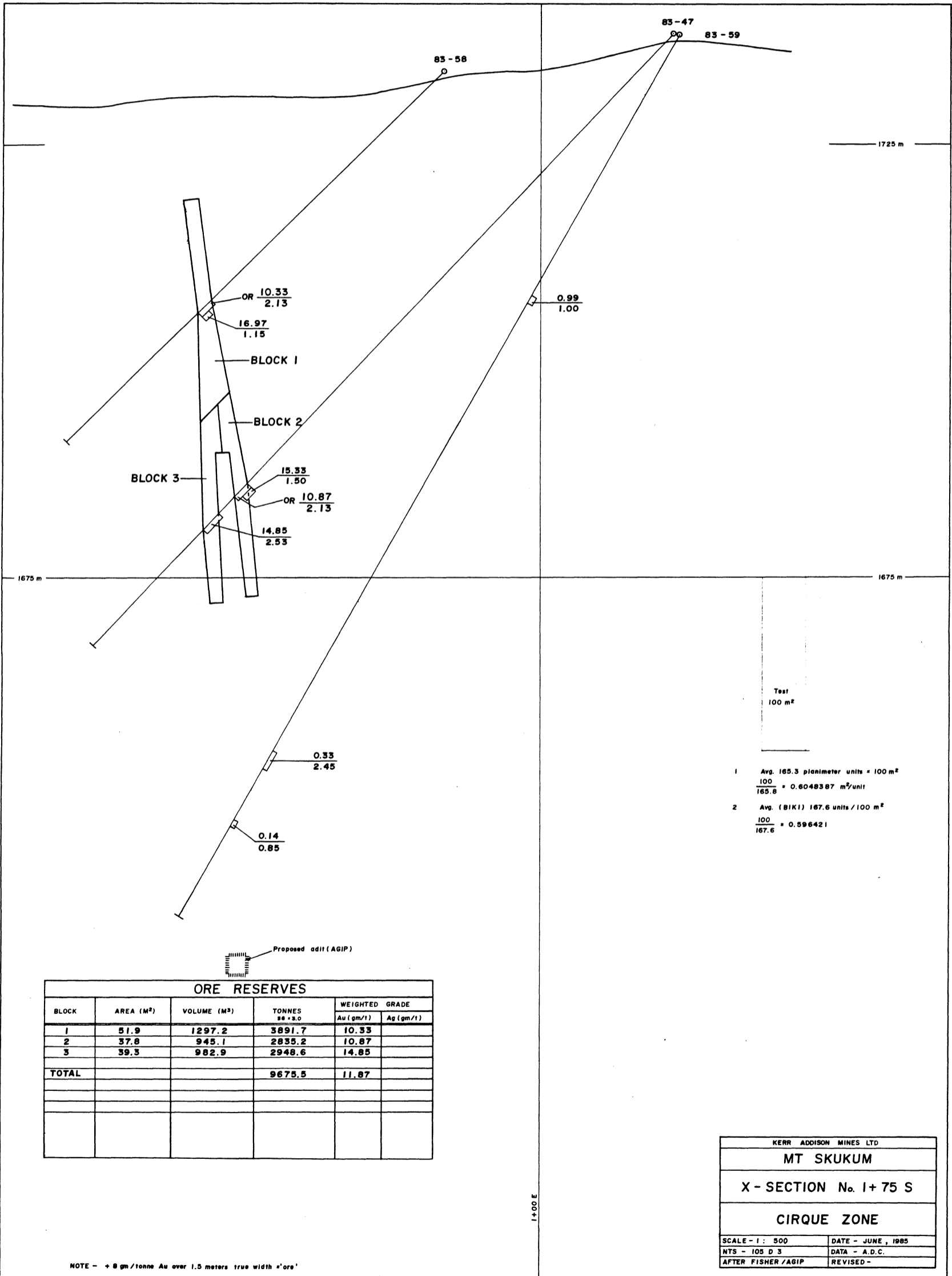
NOTE - + 8 gm/tonne Au over 1.5 meters true width = 'ore'  
AGIP rotated section 4660 N is approximately 1+50 S and shows the same DDH.



KERR ADDISON MINES LTD	
MT SKUKUM	
X - SECTION No. 1+50 S	
CIRQUE ZONE	
SCALE - 1 : 500	DATE - JUNE, 1985
NTS - 105 D 3	DATA - A.D.C.
AFTER FISHER AGIP	REVISED -



1+00 E



OR  $\frac{10.33}{2.13}$   
 16.97  
 1.15  
 BLOCK 1  
 BLOCK 2  
 BLOCK 3  
 15.33  
 1.50  
 OR  $\frac{10.87}{2.13}$   
 14.85  
 2.53

0.99  
 1.00  
 0.33  
 2.45  
 0.14  
 0.85

Test  
 100 m<sup>2</sup>

- 1 Avg. 165.3 planimeter units = 100 m<sup>2</sup>  
 $\frac{100}{165.6} = 0.6048387$  m<sup>2</sup>/unit
- 2 Avg. (BIKI) 167.6 units / 100 m<sup>2</sup>  
 $\frac{100}{167.6} = 0.596421$

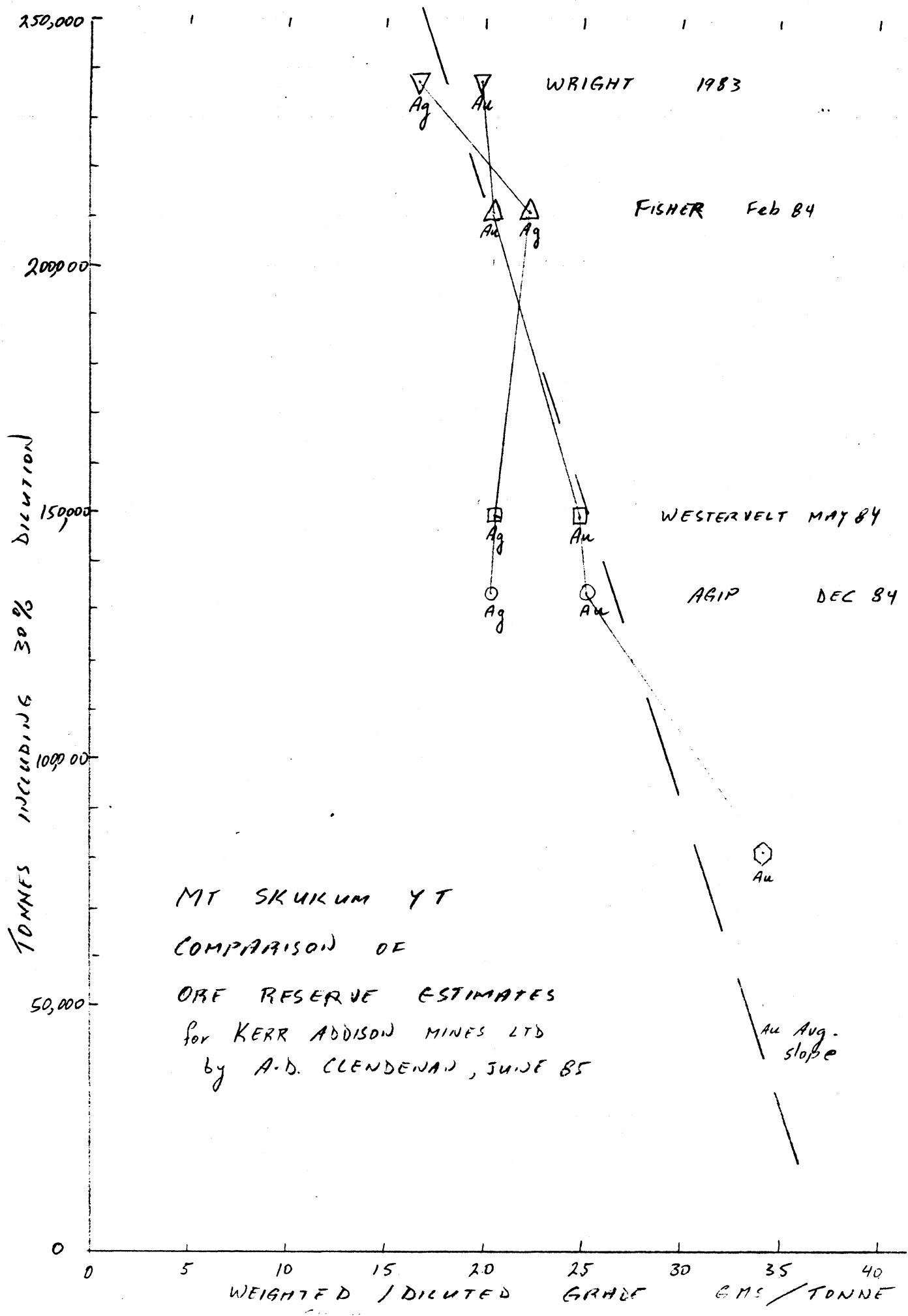
Proposed adit (AGIP)

ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES @ ± 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	51.9	1297.2	3891.7	10.33	
2	37.8	945.1	2835.2	10.87	
3	39.3	982.9	2948.6	14.85	
<b>TOTAL</b>			<b>9675.5</b>	<b>11.87</b>	

NOTE - ± 8 gm/tonne Au over 1.5 meters true width 'ore'

KERR ADDISON MINES LTD	
MT SKUKUM	
X-SECTION No. 1+75 S	
CIRQUE ZONE	
SCALE - 1 : 500	DATE - JUNE, 1985
NTS - I05 D 3	DATA - A.D.C.
AFTER FISHER /AGIP	REVISED -





MT SKUKUM YT  
 COMPARISON OF  
 ORE RESERVE ESTIMATES  
 for KERR ADDISON MINES LTD  
 by A.D. CLENDENAN, JUNE 85

Mt Skukum 10503  
 June 85  
 ABC

CUMULATIVE NUMBER OF SAMPLES

80

60

50

40

30

20

10

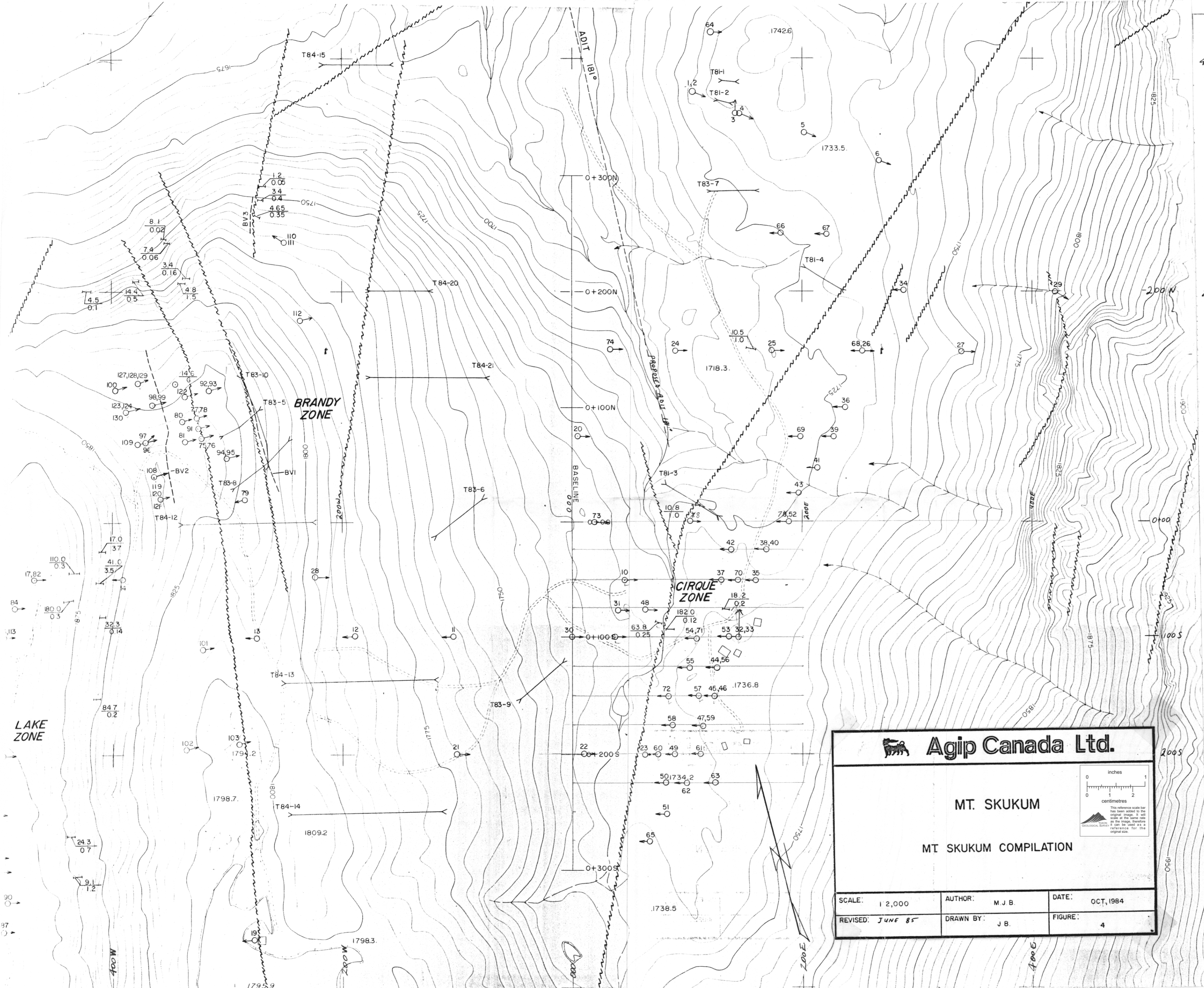
0

x.1	x.3	x.5	x.7	1.1	1.3	2.3	2.5	2.7	2.9	3.1	3.3
13	9	6	2	1	2	1	1	1	1	1	1

39

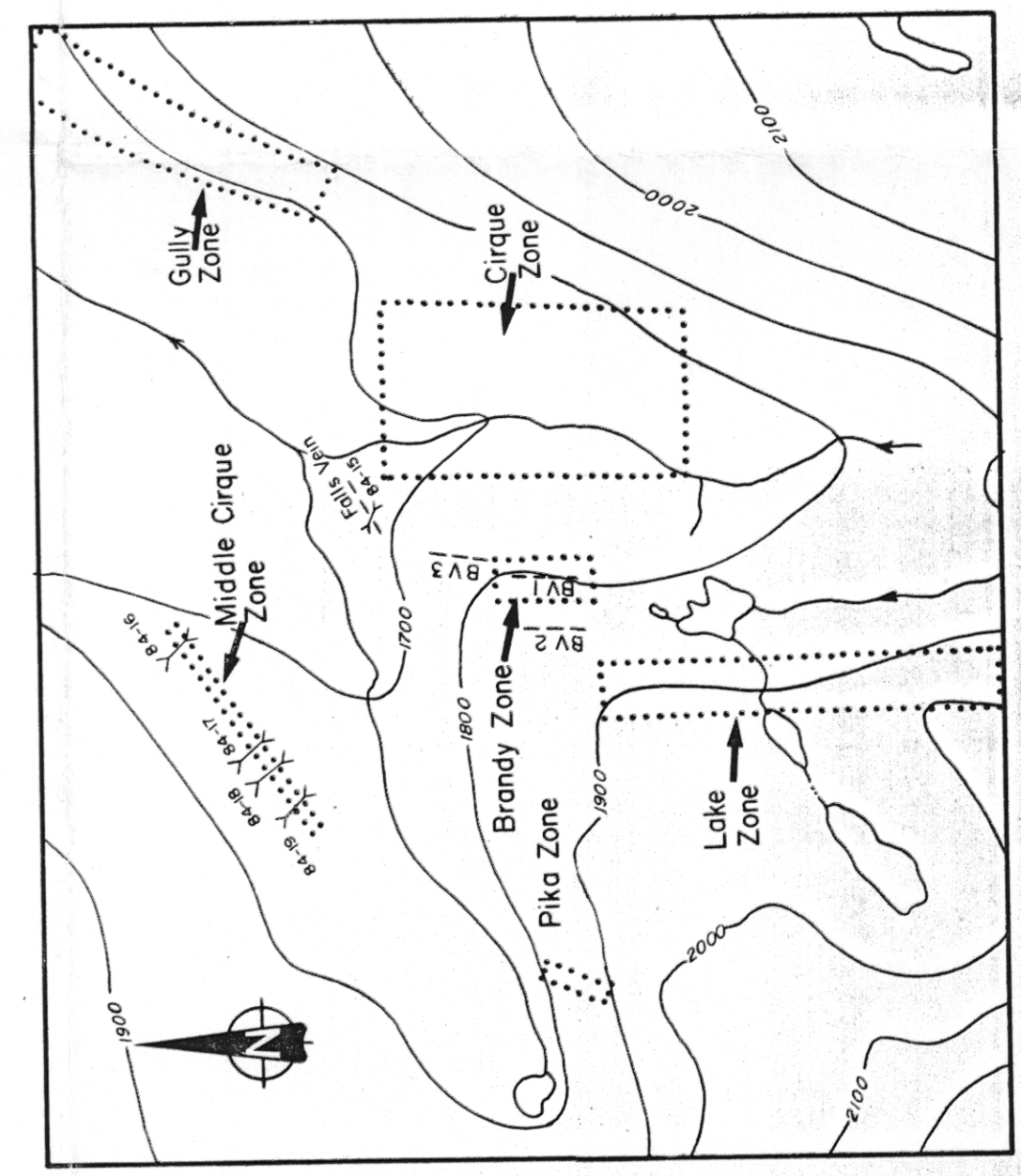
Average wall rock  
 grade = .74 gm/tonne

0.005 0.2 0.4 0.6 0.8 1.0 1.2 1.4 1.6 1.8 2.0 2.2 2.4 2.6 2.8 3.0 3.2 3.4 3.6 3.8 4.0 4.2 4.4 4.6 4.8 5.0  
 20 50  
 19 .39 1.19 3.19  
 Au gm/tonne of wall rock for 30% dilution estimate 5.1



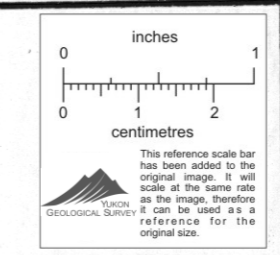
400N  
200N  
200N

<b>MT. SKUKUM</b> MT SKUKUM COMPILATION	
SCALE: 1:2,000 REVISED:	AUTHOR: M. J. B. DRAWN BY: J. B.
DATE: OCT, 1984	FIGURE: 4



LOCATION MAP  
1:16,000

<b>MT. SKUKUM</b> MT SKUKUM COMPILATION		
SCALE: 1:2,000 REVISED: JUNE 85	AUTHOR: M. J. B. DRAWN BY: J. B.	DATE: OCT, 1984 FIGURE: 4



82 - 8

(Less than cut-off)

82 - 7, 83 - 52

83 - 30

83 - 38, 40

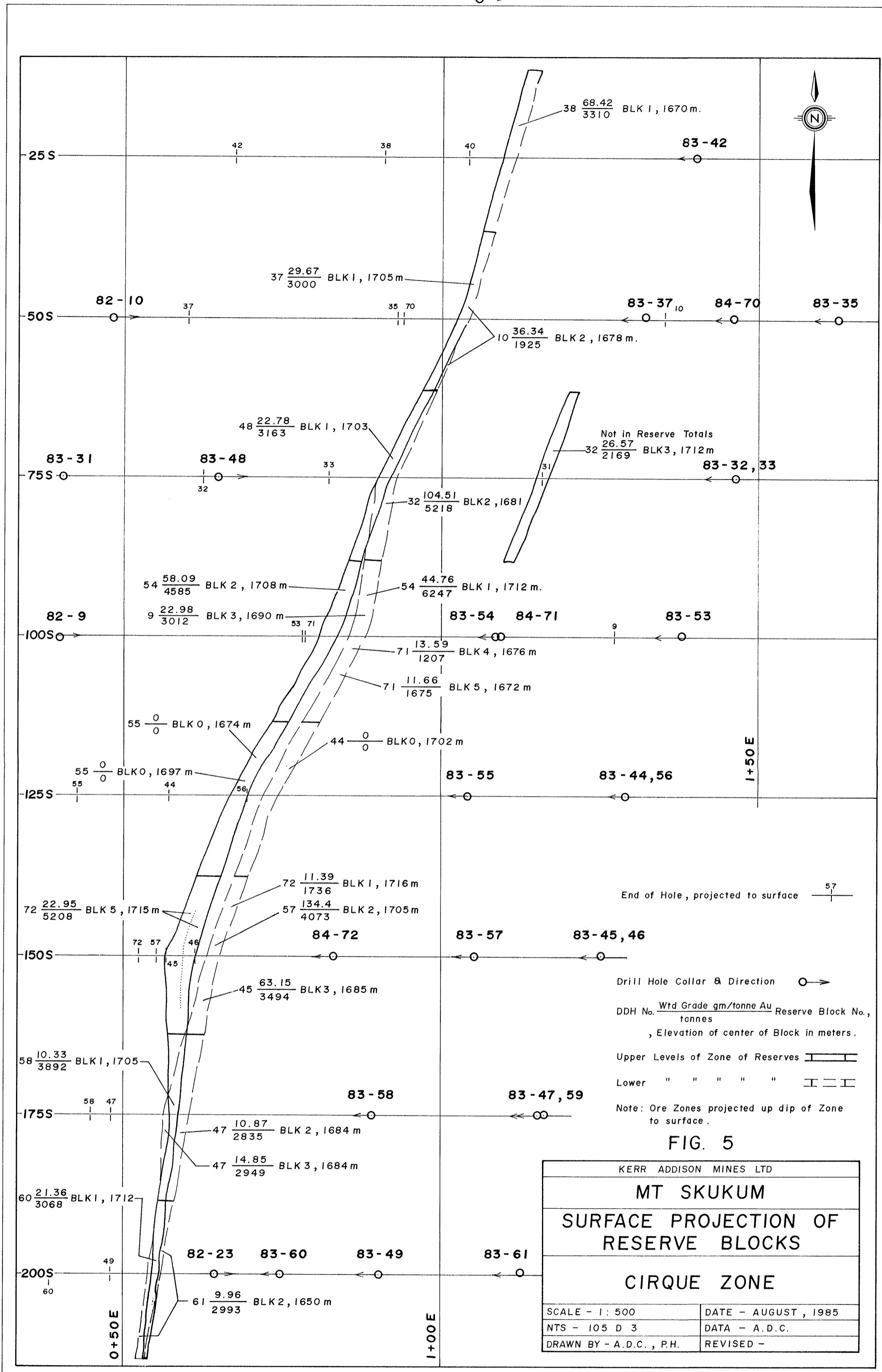
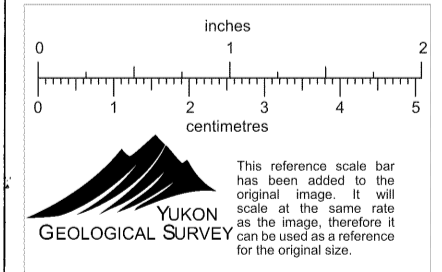


FIG. 5

KERR ADDISON MINES LTD	
MT SKUKUM	
SURFACE PROJECTION OF RESERVE BLOCKS	
CIRQUE ZONE	
SCALE - 1: 500	DATE - AUGUST, 1985
NTS - 105 D 3	DATA - A.D.C.
DRAWN BY - A.D.C., P.H.	REVISED -



(Less than cut-off)

83 - 50

83 - 62

83 - 63

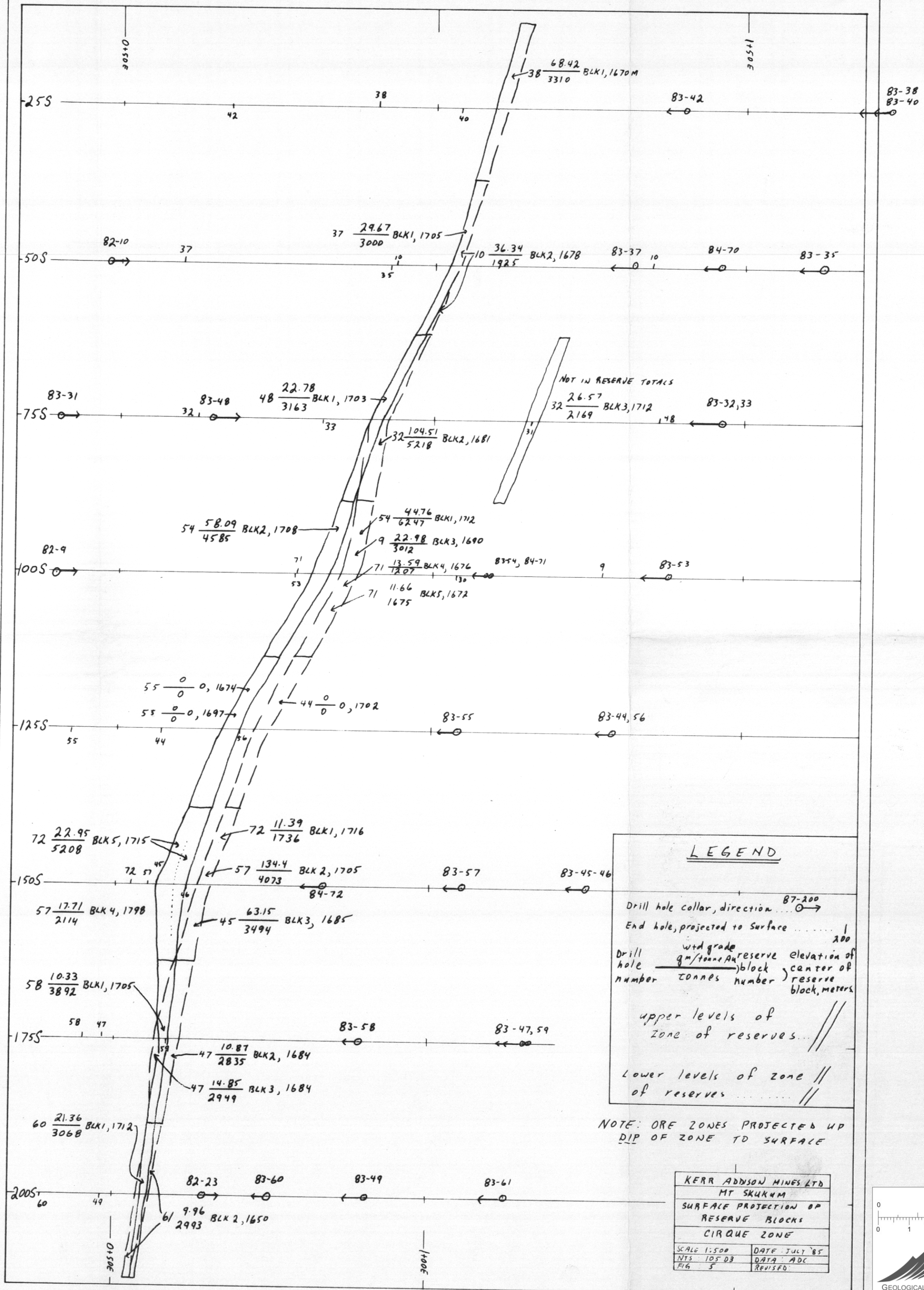
05

82-8  
0 →

Less than cutoff  
1701

82-7  
83-52  
0

83-30  
0 →



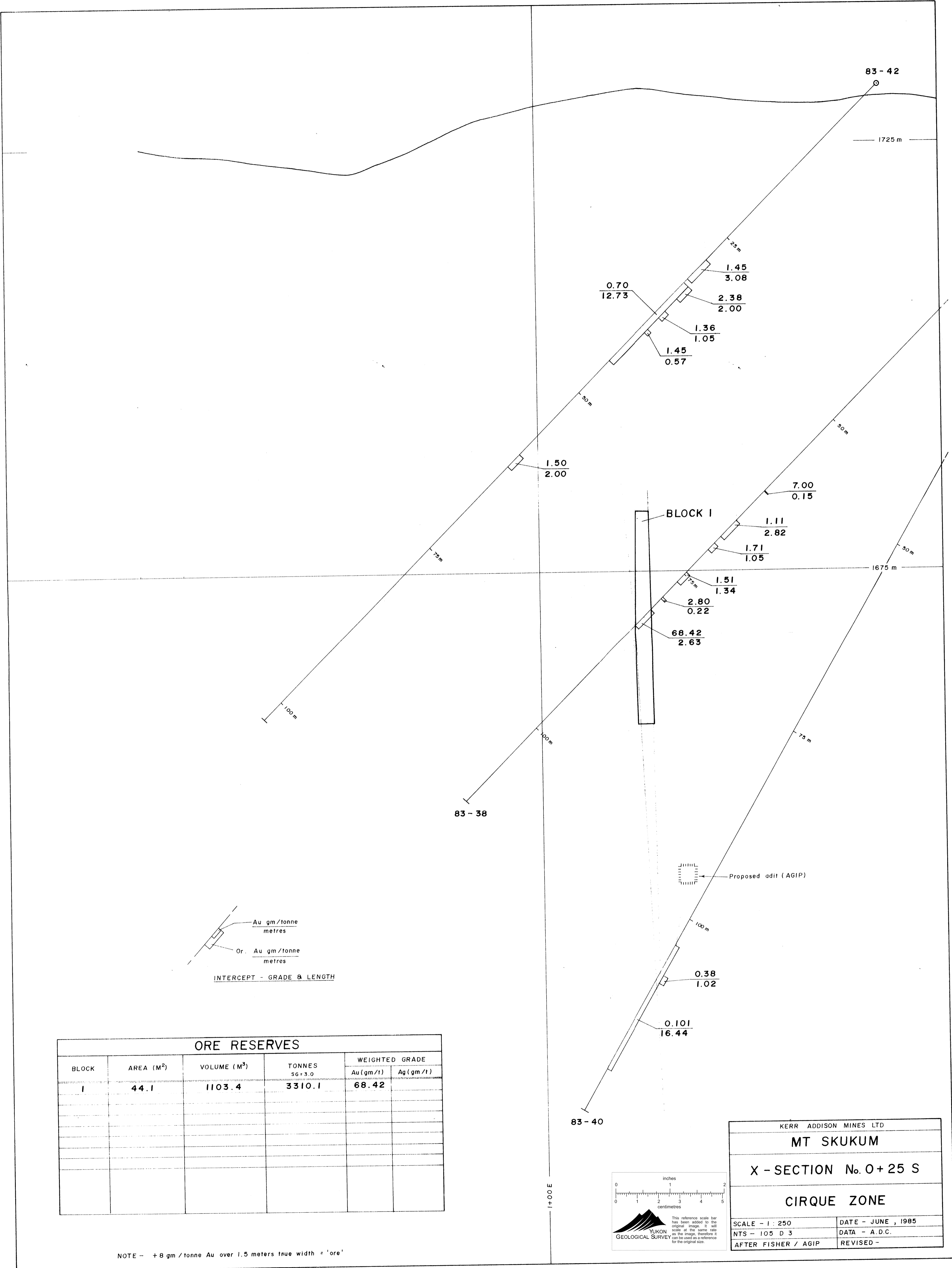
less than cut-off

83-50  
0

83-62  
0

83-63  
0

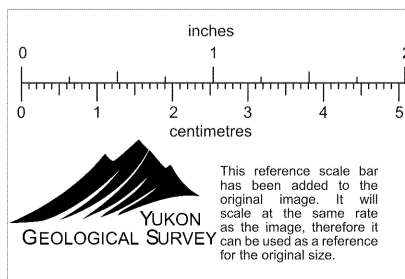




Au gm/tonne metres  
 Or. Au gm/tonne metres  
 INTERCEPT - GRADE & LENGTH

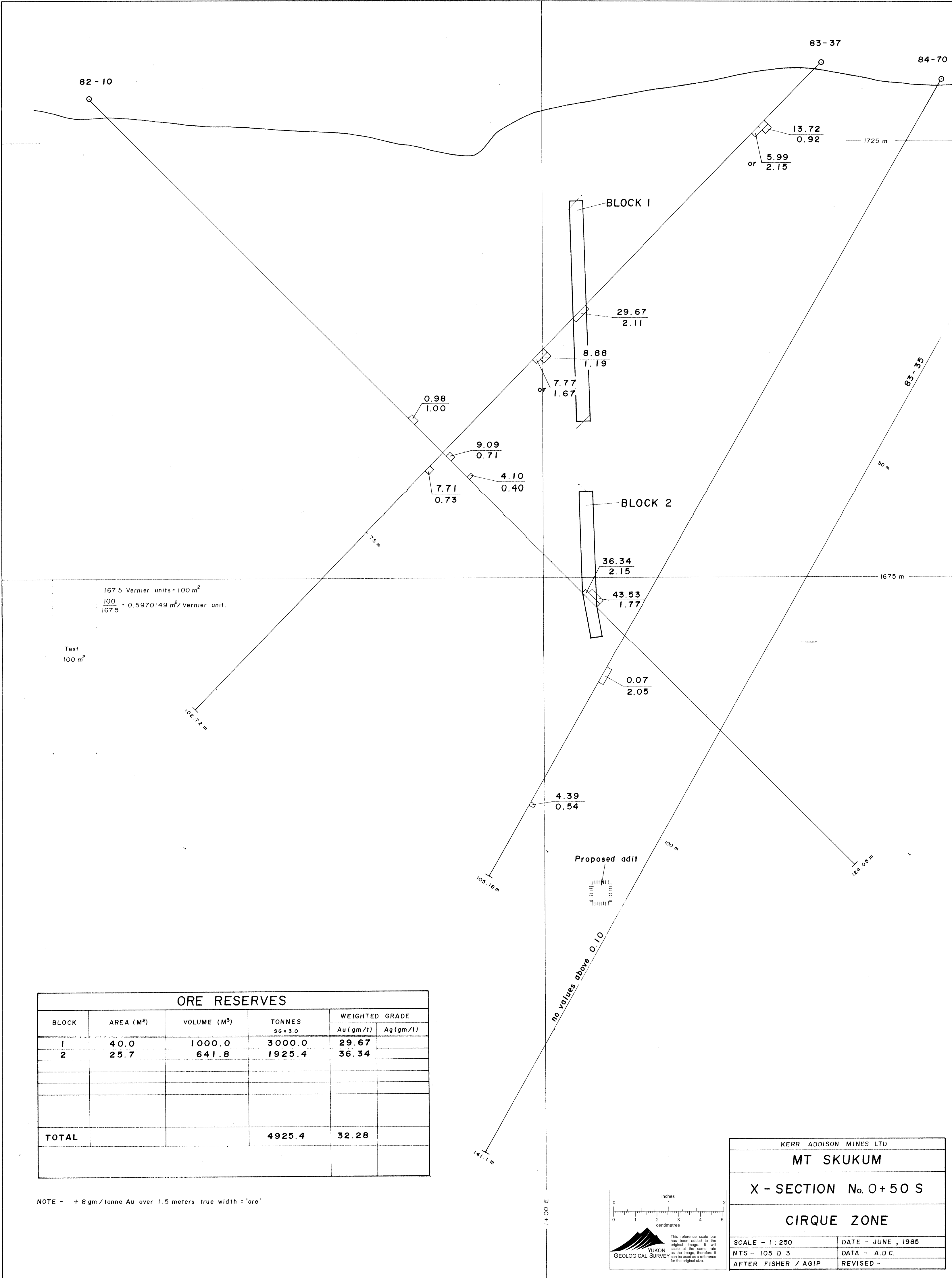
ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES SG = 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
I	44.1	1103.4	3310.1	68.42	

NOTE - +8 gm / tonne Au over 1.5 meters true width = 'ore'



KERR ADDISON MINES LTD  
**MT SKUKUM**  
 X - SECTION No. 0+25 S  
**CIRQUE ZONE**

SCALE - 1 : 250	DATE - JUNE , 1985
NTS - 105 D 3	DATA - A.D.C.
AFTER FISHER / AGIP	REVISED -

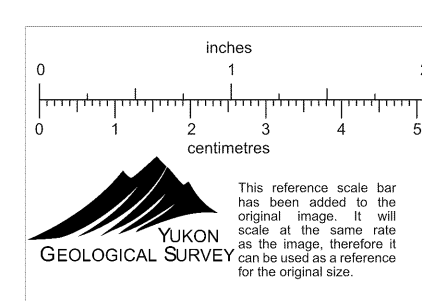


167.5 Vernier units = 100 m<sup>2</sup>  
 $\frac{100}{167.5} = 0.5970149 \text{ m}^2/\text{Vernier unit.}$

Test  
 100 m<sup>2</sup>

ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES sg + 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	40.0	1000.0	3000.0	29.67	
2	25.7	641.8	1925.4	36.34	
<b>TOTAL</b>			<b>4925.4</b>	<b>32.28</b>	

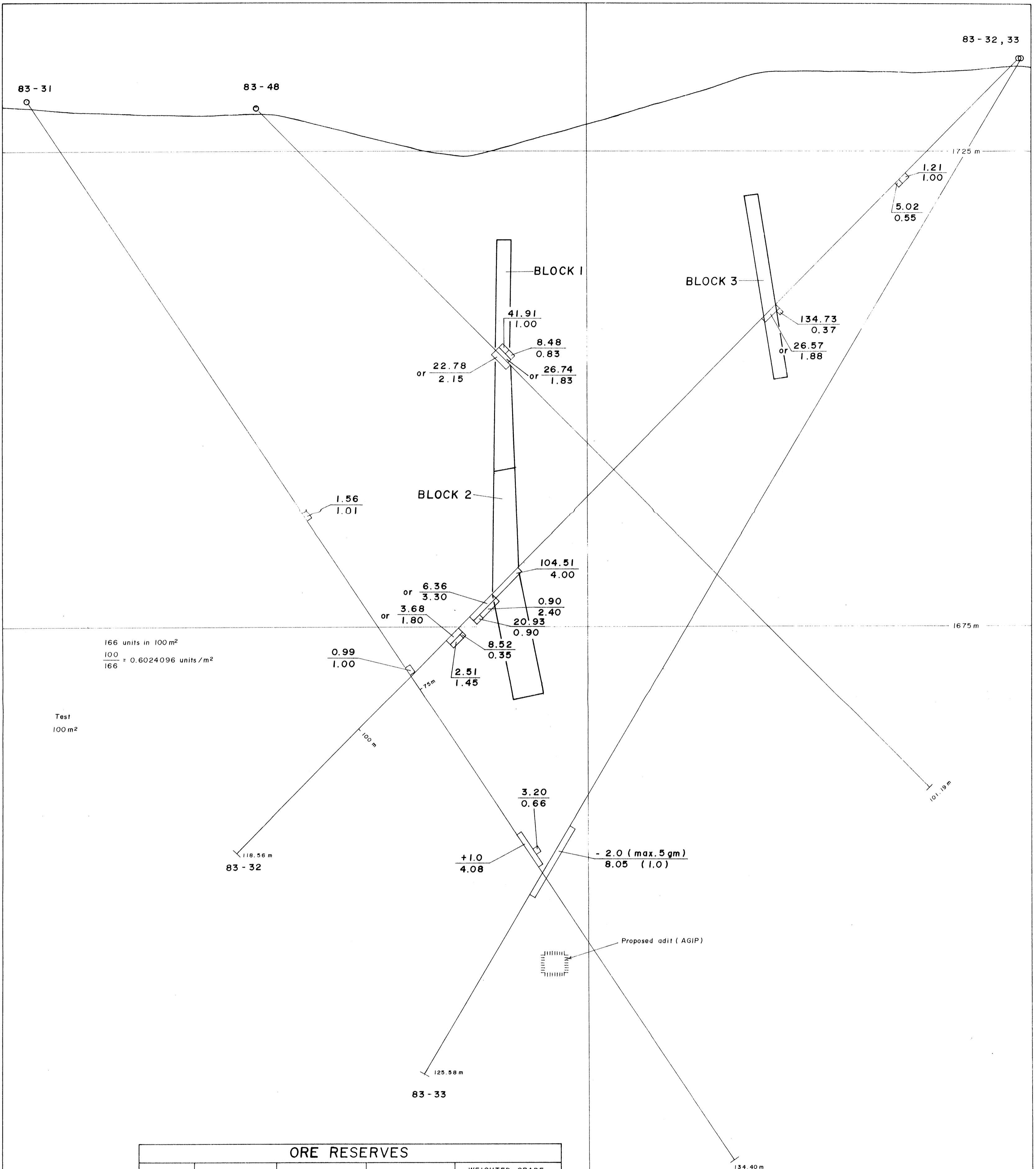
NOTE - + 8 gm/tonne Au over 1.5 meters true width = 'ore'



KERR ADDISON MINES LTD	
MT SKUKUM	
X - SECTION No. 0+50 S	
CIRQUE ZONE	
SCALE - 1 : 250	DATE - JUNE , 1985
NTS - 105 D 3	DATA - A.D.C.
AFTER FISHER / AGIP	REVISED -

83 - 31

83 - 48



166 units in 100 m<sup>2</sup>  
 $\frac{100}{166} = 0.6024096 \text{ units/m}^2$

Test  
 100 m<sup>2</sup>

83 - 32

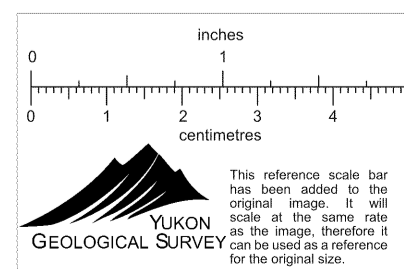
83 - 33

**ORE RESERVES**

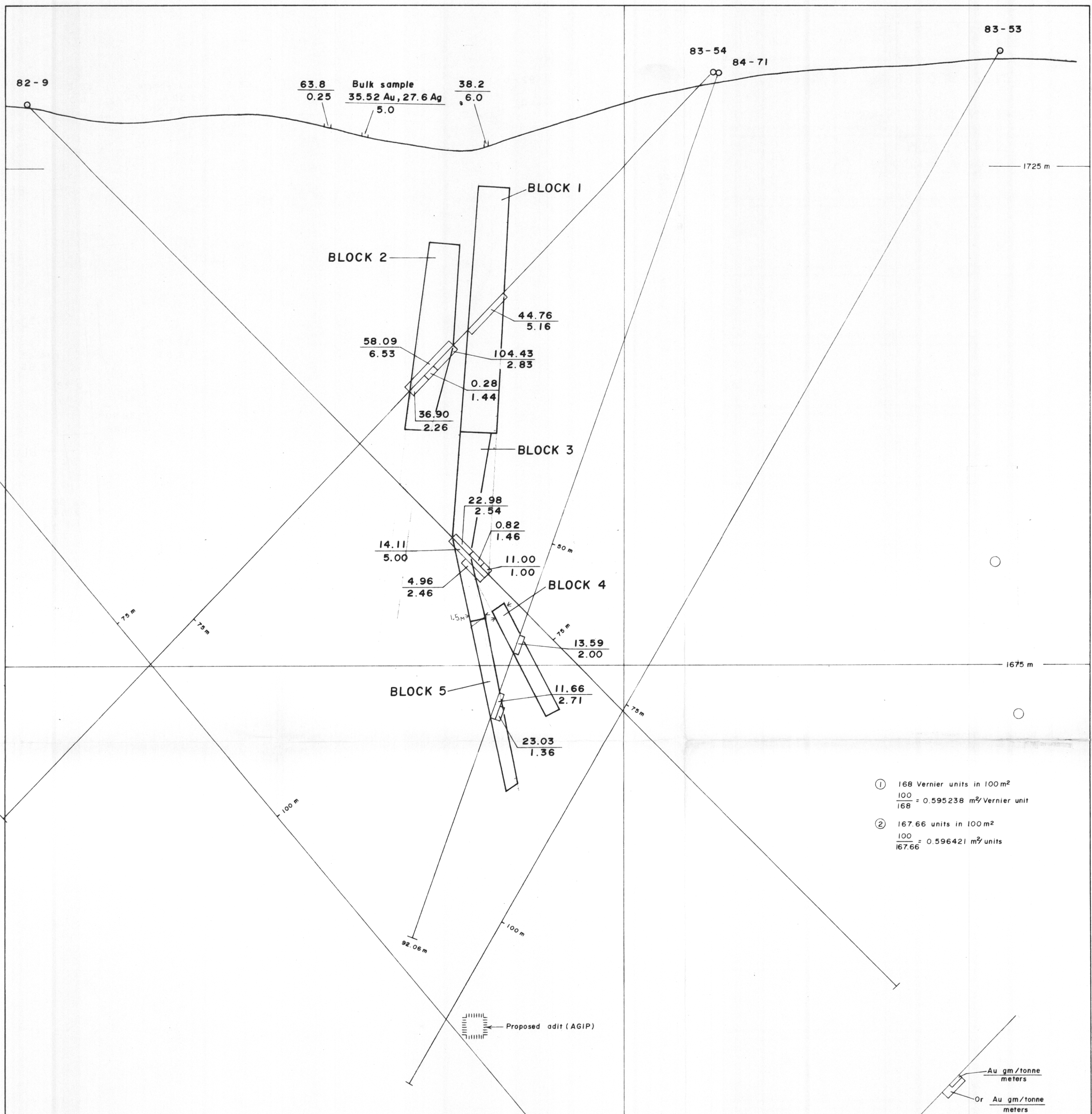
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES S@ 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	42.2	1054.2	3162.7	22.78	
2	69.6	1739.5	5218.4	104.51	
3	28.9	722.9	2168.7	26.57	
TOTAL	(1,2)		8381.1	73.63	

Note: Block 3 is isolated and therefore not included as mineable ore in these reserves.

NOTE - + 8 gm / tonne Au over 1.5 meters true width = 'ore'



KERR ADDISON MINES LTD	
MT SKUKUM	
X - SECTION No. 0 + 75 S	
CIRQUE ZONE	
SCALE - 1 : 250	DATE - JUNE, 1985
NTS - 105 D 3	DATA - A.D.C.
AFTER FISHER / AGIP	REVISED -



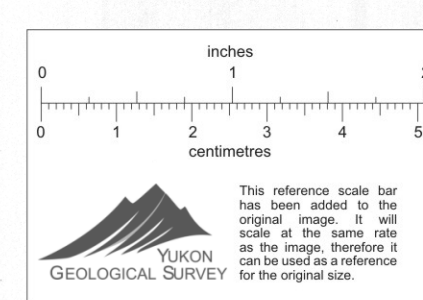
- ① 168 Vernier units in 100 m<sup>2</sup>  
 $\frac{100}{168} = 0.595238 \text{ m}^2 \text{ Vernier unit}$
- ② 167.66 units in 100 m<sup>2</sup>  
 $\frac{100}{167.66} = 0.596421 \text{ m}^2 \text{ units}$

ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES SG = 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	83.3	2082.5	6247.5	44.76	
2	61.1	1528.3	4585.0	58.09	
3	40.2	1004.0	3012.0	22.98	
4	17.3	432.4	1297.2	13.59	
5	22.3	558.0	1674.5	11.66	
<b>TOTAL</b>			<b>16816.2</b>	<b>38.79</b>	

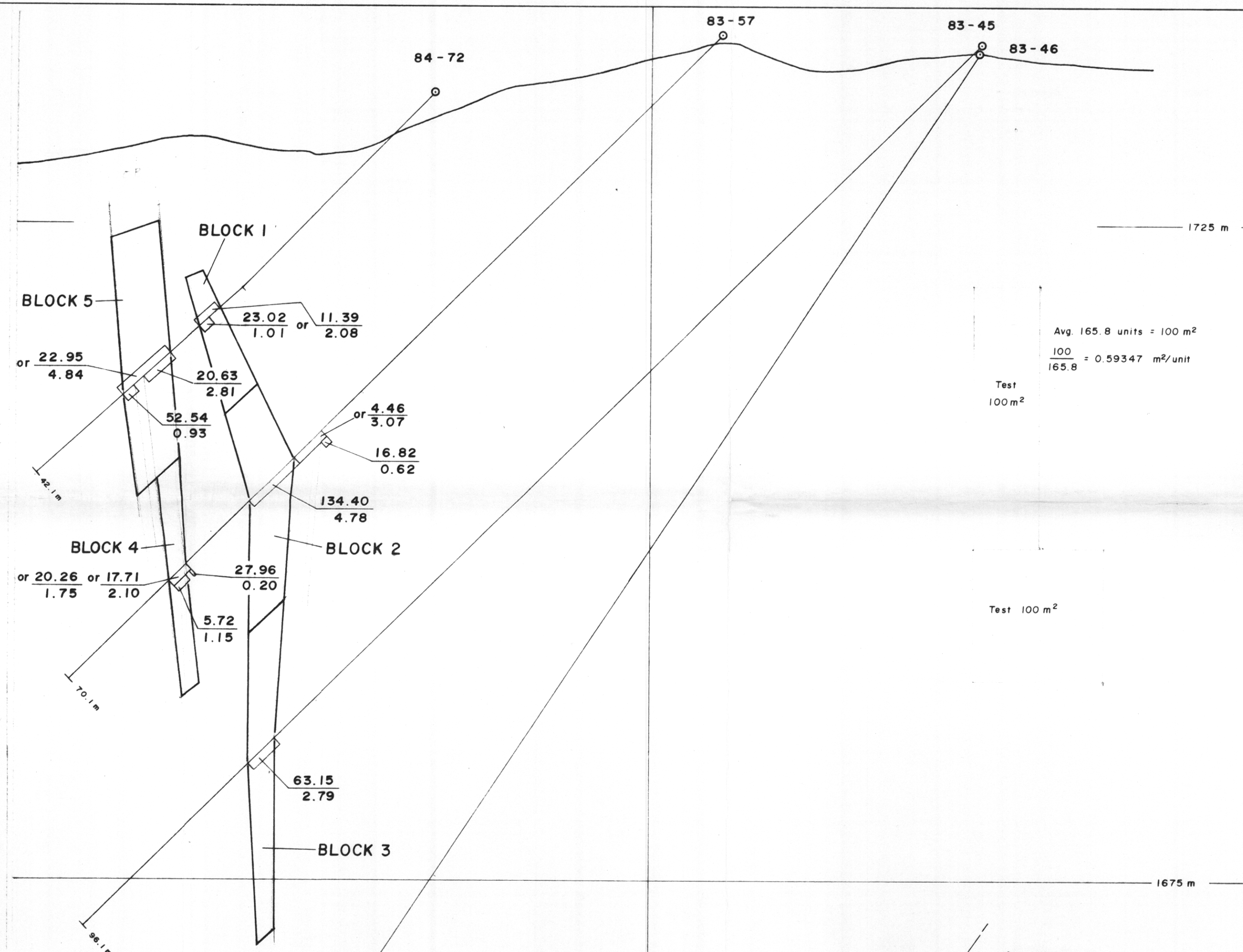
Note: All computer file listed assays for each sample were averaged prior to weighting for length and tonnes.

NOTE - +8 gm/tonne Au over 1.5 meters true width = 'ore'  
 AGIP rotated section 4724 N is approximately I+00S and shows the same DDH.

KERR ADDISON MINES LTD	
<b>MT SKUKUM</b>	
X - SECTION No. I+00 S	
<b>CIRQUE ZONE</b>	
SCALE - 1 : 250	DATE - JUNE, 1985
NTS - 105 D 3	DATA - A.D.C.
AFTER FISHER / AGIP	REVISED -







Avg. 165.8 units = 100 m<sup>2</sup>  
 $\frac{100}{165.8} = 0.59347 \text{ m}^2/\text{unit}$   
 Test 100 m<sup>2</sup>

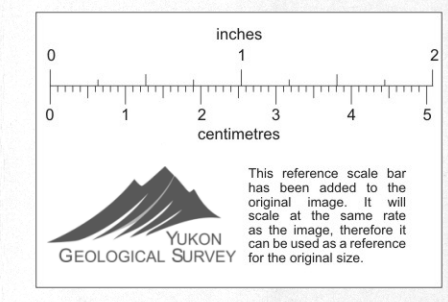
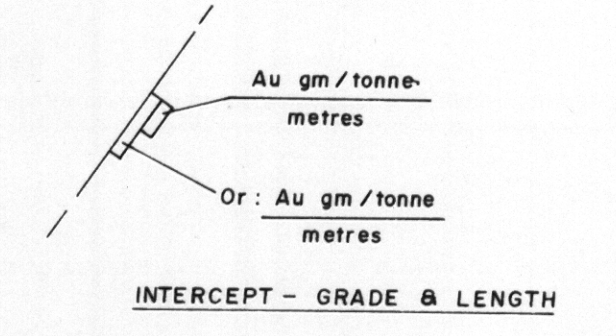
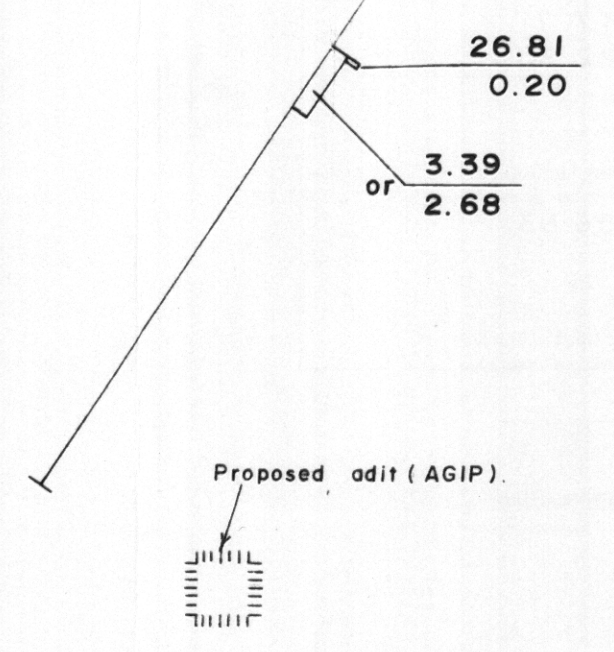
Test 100 m<sup>2</sup>

TEST SKETCH OF  
 4660 N "ORE"  
 SCALE 1:200  
 AFTER AGIP 46604

ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES SG +3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	23.1	578.6	1735.9	11.39	
2	54.3	1351.6	4072.7	134.40	
3	46.6	1164.7	3494.1	63.15	
4	28.2	704.7	2114.2	17.71	
5	69.4	1735.9	5207.7	22.95	
<b>TOTAL</b>			<b>16625</b>	<b>56.83</b>	

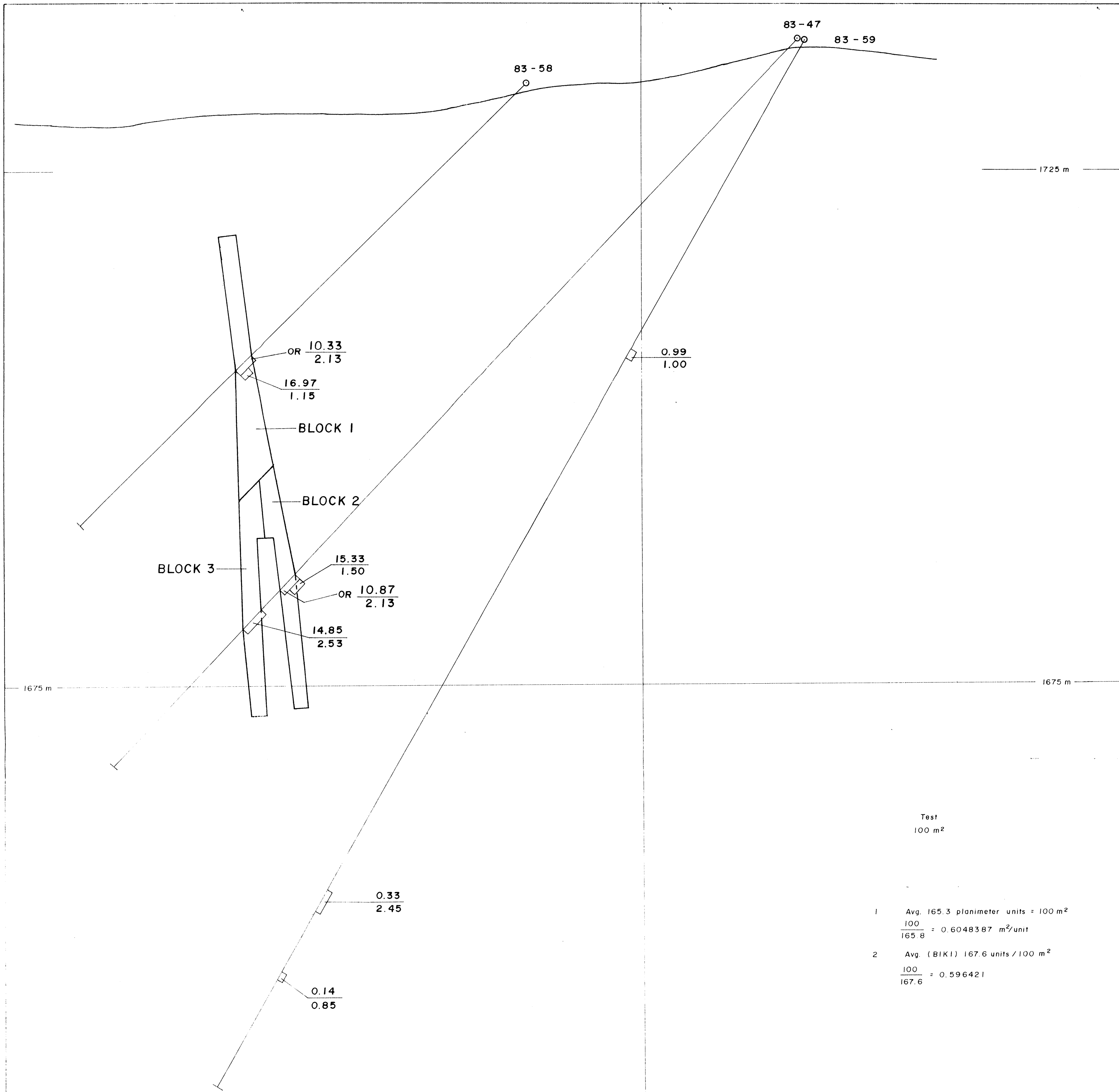
Note: Au grades were averaged for all listed assays before being weighted for length and tonnes.

NOTE - + 8 gm/tonne Au over 1.5 meters true width = 'ore'  
 AGIP rotated section 4660 N is approximately 1+50 S and shows the same DDH.



KERR ADDISON MINES LTD	
MT SKUKUM	
X - SECTION No. 1+50 S	
CIRQUE ZONE	
SCALE - 1 : 250	DATE - JUNE , 1985
NTS - 105 D 3	DATA - A.D.C.
AFTER FISHER AGIP	REVISED -

1+00 E



Test  
100 m<sup>2</sup>

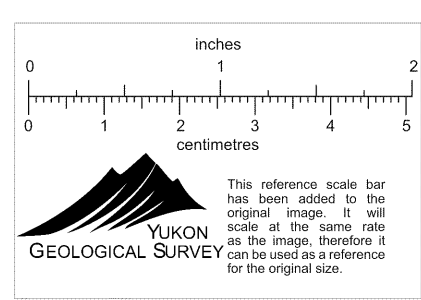
- 1 Avg. 165.3 planimeter units = 100 m<sup>2</sup>  
 $\frac{100}{165.8} = 0.6048387 \text{ m}^2/\text{unit}$
- 2 Avg. (B1K1) 167.6 units / 100 m<sup>2</sup>  
 $\frac{100}{167.6} = 0.596421$

Proposed adit (AGIP)

ORE RESERVES					
BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES SG = 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	51.9	1297.2	3891.7	10.33	
2	37.8	945.1	2835.2	10.87	
3	39.3	982.9	2948.6	14.85	
<b>TOTAL</b>			<b>9675.5</b>	<b>11.87</b>	

NOTE - + 8 gm/tonne Au over 1.5 meters true width = 'ore'

1+00E



KERR ADDISON MINES LTD	
MT SKUKUM	
X - SECTION No. 1+75 S	
CIRQUE ZONE	
SCALE - 1 : 250	DATE - JUNE, 1985
NTS - 105 D 3	DATA - A.D.C.
AFTER FISHER / AGIP	REVISED -

83-61

82-23

83-60

83-49

1725 m

0.10  
10.73

21.36  
2.33

2.26  
0.38

5.44  
0.54

BLOCK 1

0.82  
8.55

4.01  
0.96

1675 m

Avg. 165.4 planimeter units = 100 m<sup>2</sup>  
 $\frac{100}{165.4} = 0.6045949 \text{ m}^2/\text{unit}$

75 m

75 m

75 m

75 m

nothing above 20 ppb Au

100 m

110.80 m

BLOCK 2

0.83  
0.90

82-22

4.24  
5.18

OR 9.96  
2.15

10.70  
2.00

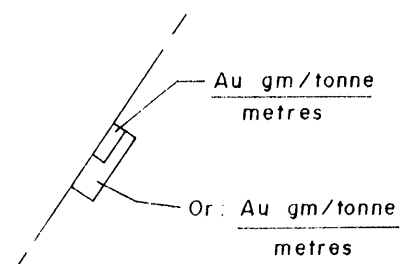
0.17  
1.00

Proposed Erickson/Agip adit.

102.71 m

125 m

150 m

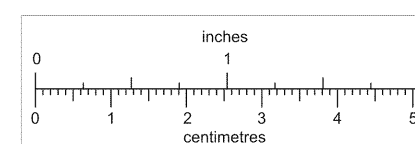


INTERCEPT - GRADE & LENGTH

NOTE - + 8 gm/tonne Au over 1.5 meters true width = 'ore'

ORE RESERVES

BLOCK	AREA (M <sup>2</sup> )	VOLUME (M <sup>3</sup> )	TONNES SG = 3.0	WEIGHTED GRADE	
				Au (gm/t)	Ag (gm/t)
1	40.9	1022.8	3068.3	21.36	
2	39.9	997.6	2992.7	9.96	
<b>Note: Block 2 is isolated and therefore not included as mineable ore in these reserves.</b>					
<b>TOTAL</b>	<b>Block 1 only</b>		<b>3068.3</b>	<b>21.36</b>	



This reference scale bar has been added to the original image. It will scale at the same rate as the image, therefore it can be used as a reference for the original size.

YUKON  
GEOLOGICAL SURVEY

1:1000

KERR ADDISON MINES LTD

MT SKUKUM

X - SECTION No. 2+00 S

CIRQUE ZONE

SCALE - 1 : 250  
 DATE - JUNE , 1985  
 NTS - 105 D 3  
 DATA - A.D.C.  
 AFTER FISHER / AGIP  
 REVISED -

