

**Report on the 1996 Exploration Program**  
**on**  
**The Lachatao Property**  
**Edo. Oaxaca, Mexico**  
**E14 D48 & 38**

*Handwritten signature and date: 12/2/02*

**Minera Teck, S.A. de C.V.**  
**January, 1997**

**By**  
**Jim Janzen and Roger Scammell**  
**for**  
**Ing. Juan Bennítez**

## SUMMARY

The Lachatao property is located in southern Mexico in the State of Oaxaca approximately 40 kilometres northeast of Oaxaca city. The property is 23,174 hectares in size and is made up of two staked claims in which Minera Teck has a 100% interest and a 6,295 hectare concession under option from Grupo Northair de Mexico S.A. de C.V.. Minera Teck can earn up to a 60% interest in the Northair claim by making option payments totalling \$375,000.00(US) and spending \$1,800,000.00 on exploration (Appendix A).

The 1996 exploration program on the Lachatao property was largely concentrated on the San Pedro-San Pablo epithermal vein-stockwork system located in the centre of the Northair claim. This area is underlain by a shallow dipping (10-30°) northeast facing and northwest trending series of volcanics and volcanoclastics. Previous work by the Consejo, six diamond drill holes, yielded several interesting gold intersections (ie: 6.68 g/t/ 13.95m). The gold mineralization appeared to be associated with epithermal quartz veins and stockworks hosted in a strongly altered (silica-argillic) porphyritic dacite. The Minera Teck 1996 program consisted of a series of trenches and nine reverse circulation drill holes designed to test the San Pedro- San Pablo epithermal gold system. The cost of the program was \$333,124.26 (US).

Results from the exploration program, particularly the drilling, are very encouraging. Several wide intercepts of low grade gold mineralization were returned from the drilling. Examples of the wide intercepts are, 0.967 g/t Au and 5.59 g/t Ag over 85.5m in hole LAC-96-3; 0.509 g/t Au and 6.69 g/t Ag over 49.5m in hole LAC-96-2; 0.616 g/t Au and 3.4 g/t Ag over 96m in hole LAC-96-4 and 0.918 g/t Au and 2.83 g/t Ag over 33m in hole LAC-96-9 (See Table 5). Further encouragement is indicated in assays such as 7.843 g/t Au and 8.3g/t Ag over 3m in LAC-96-3, 4.029 g/t Au and 4.4 g/t Ag over 3m in hole LAC-96-4 and 3.426 g/t Au and 8.54 g/t Ag over 7.5m in hole LAC-96-9 (See Table 5). These higher grade intervals are all hosted within wider low grade mineralization. In addition to the interesting values from the drilling, several of the trenches returned interesting values which are summarized in table 4. Trench 15 located about 200 to 250m north of the San Pedro-San Pablo system on the "Veta Nueva" returned 5.69 g/t Au and 15.28 g/t Ag over 16m. The possibility that the Veta Nueva and San Pedro-San Pablo are related, or one in the same is a probable.

To follow up on the encouraging results from 1996, a further exploration program is recommended for 1997. The 1997 proposal entails follow up detail mapping, trenching and drilling on the San Pedro-San Pablo epithermal gold system. To evaluate the remainder of the large property a regional stream sediment and prospecting program is also recommended. The cost of the 1997 exploration program is estimated at \$445,000.00(U.S).

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## DRAWINGS

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## INTRODUCTION

The Lachatao property consists of 23,174 hectares and is located in the central portion of the state Oaxaca, Mexico. Previous work by the C.R.M and other various private enterprises indicated the property has significant epithermal gold potential.

This report summarizes exploration work performed on the property during 1996 by Minera Teck S.A. de C.V.. The results of the 1996 exploration program were encouraging and this report makes recommendations to undertake further exploration on the property in 1997.

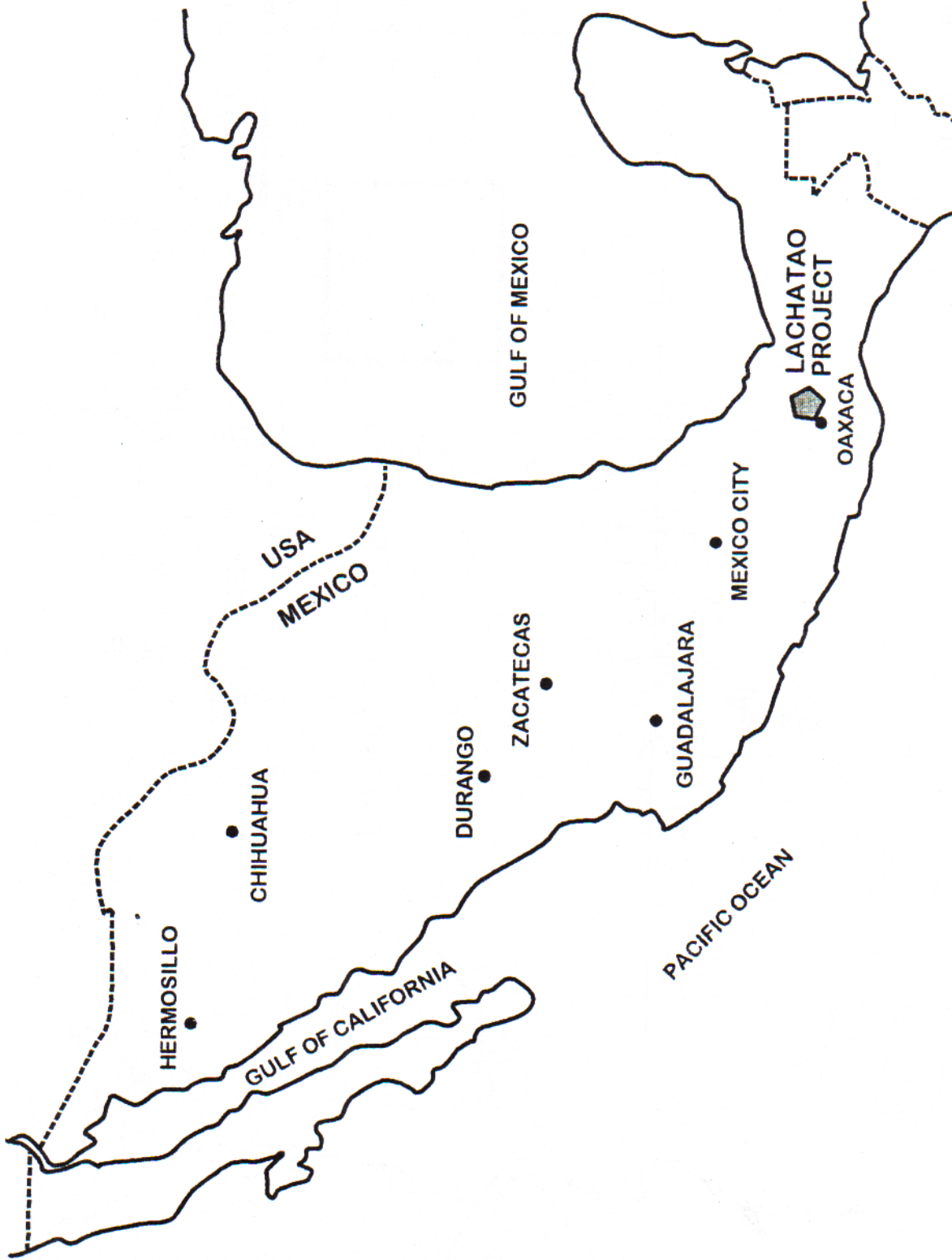
## LOCATION AND ACCESS

The Lachatao property is located 40 kms northeast of the city of Oaxaca in Oaxaca State, Mexico. It is accessed via 55 km of paved highway followed by 15 kms of gravel road which connects the village of Santa Catarina Lachatao with the highway (see figure 1). The topography is mountainous and elevations vary from 1,600 to 2,600 m. Vegetation consists of pine and oak trees.

The INEGI map sheets that correspond to the property location are E14 D48 & 38.

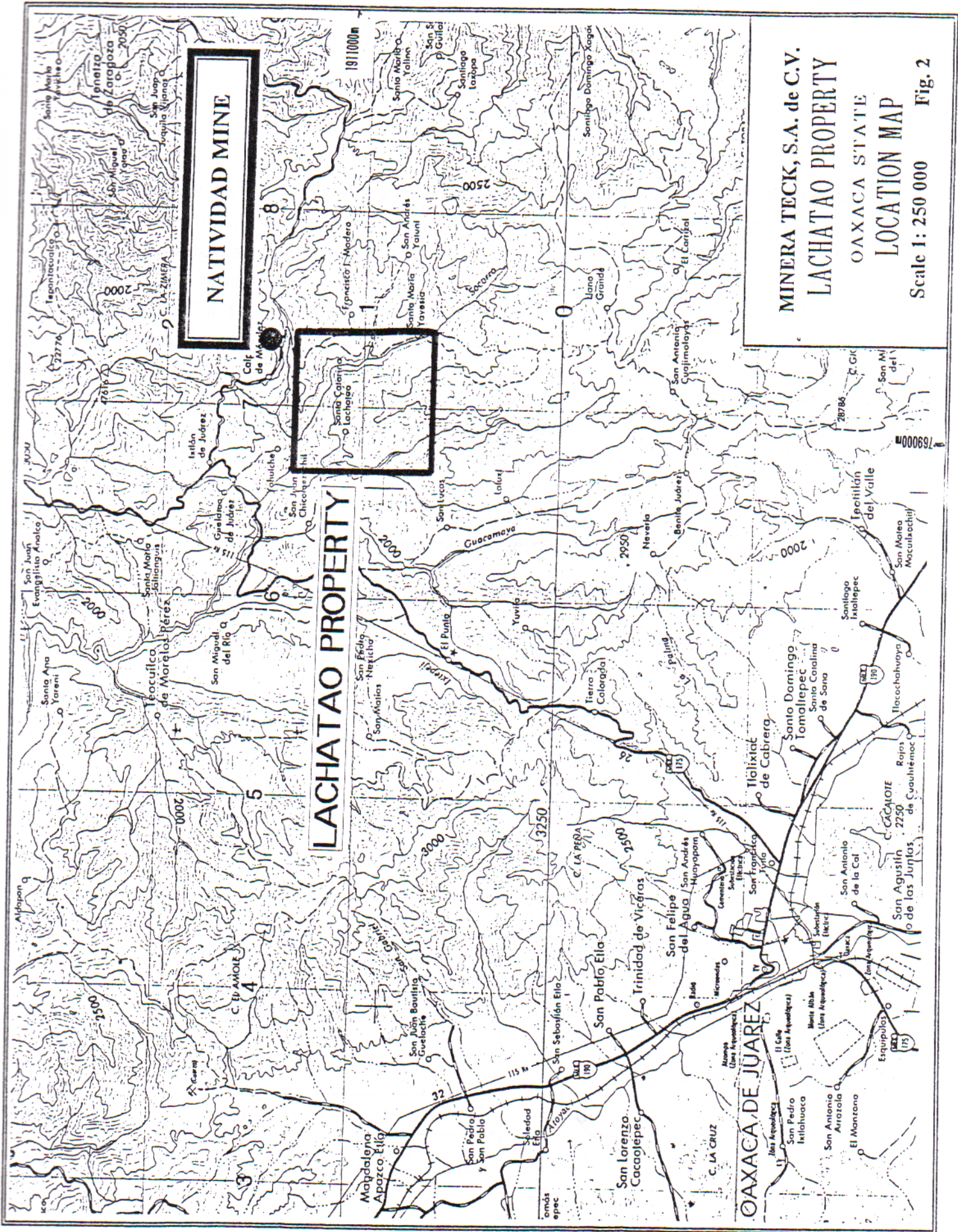
## THE PROPERTY

The property consists of two claims staked by Minera Teck S.A. de C.V. and one concession under option from Grupo Northair de Mexico S.A. de C.V.. Collectively the claims and option total 23,174 hectares in size (See Claim Location Drawing in Pocket). Minera Teck can earn a 51% share in the 6,295 hectare Northair claim ("Reduccion Sierra de Juarez" title # 200,795) by making option payments totalling \$275,000.00 and expending \$800,000.00 on exploration by May 16, 1998. Minera Teck can increase their percentage to 60% by making an additional \$1,000,000.00 in exploration expenditures and another \$100,000.00 option payment to Northair. A summary of the option deal is presented in Appendix A of this report.



LACHATAO PROJECT  
OAXACA STATE  
MEXICO

FILE : LACLOC



MINERA TECK, S.A. de C.V.  
 LACHATAO PROPERTY  
 OAXACA STATE  
 LOCATION MAP  
 Scale 1: 250 000 Fig. 2



## PREVIOUS WORK

Most of the +23,000 hectare property has seen some type of mining activity over the past two to three hundred years. This activity was in the form of small mines exploiting narrow silver and gold rich epithermal veins. Some small mining activity ( $\leq 100$  tons per day) continues. The Navidad mine located near the NE corner of the Lachatao property is still in production and is said to have produced over a million ounces of gold from narrow ( $\leq 3\text{m}$ ) gold rich epithermal veins.

The Consejo drilled six diamond drill hole on the San Pedro-San Pablo vein system. These holes intersected several strongly anomalous to ore grade intercepts. The results of the drilling are summarized in the table below.

**Table 1**  
**Assay Summary-Consejo Drilling**

DDH	Thickness (m)	Au g/t	Ag g/t
BDSPP-1	3.35	2.17	9.76
BDSPP-1	20.45	1.25	9.66
BDSPP-2	11.45	0.91	12.07
BDSPP-2	1.0	3.4	21.6
BDSPP-2	1.45	2.6	7.0
BDSPP-2	3.55	0.92	10.4
BDSPP-2	3.95	6.74	88.24
BDSPP-6	13.95	6.68	16.12
BDSPP-6	1.35	3.03	7.43
BDSPP-6	4.2	1.68	6.36
BDSPP-5	8.35	1.0	5.0
BDSSP-5	1.75	1.86	5.64
BDSPP-5	1.8	1.05	2.75

Some of the Consejo core was located in the CRM office in Oaxaca. Unfortunately much of the core was either missing or destroyed but what was available was re-logged.

## **GENERAL GEOLOGY**

The property lies within the Sierra Juarez Mountains. It is part of a major volcanic district that has been mined for gold since the Spanish Colonial Era. The district is underlain by Paleozoic to Cretaceous metamorphic and sedimentary rocks. The oldest rocks known are Paleozoic low grade metasediments. Jurassic to lower Cretaceous calcareous siltstones and sandstones unconformably overlie the metasediments. These are followed by upper Cretaceous thinly bedded dolomitic limestone and are in turn unconformably overlain by a bimodal Tertiary volcanic package consisting of andesitic to dacitic-rhyodacitic flows, coarse pyroclastics, agglomerates and tuffs.

Most of these lithologies are affected by extensive fracturing, argillization and silicification and are locally associated with a gold-silver mineralization. The alteration package is thought to be the result of a mature epithermal system associated with the Tertiary vulcanism which is the target for the Lachatao property.

## **1996 EXPLORATION PROGRAM**

The 1996 exploration program of the Lachatao property consisted of Line cutting, trenching and a reverse circulation drilling program. Some regional prospecting and sampling was also performed.

### **Line Cutting:**

A central grid system of about 10 line kilometres was established to cover the possible SW extension of the Natividad and Tennessee Mine veins. Originally the grid was to be 55km in length. The line cutting was suspended so efforts could concentrate on the San Pedro-San Pablo area.

A preliminary grid has been established over the San Pedro-San Pablo vein stockwork system.

## Trenching:

To date 14 trenches have been excavated in the San Pedro-San Pablo area and one trench on the Veta Nueva area (200m north of San Pedro-San Pablo). All trenches were dug by hand and sampled predominantly over intervals of 2m and the samples were assayed for gold and silver.

## Drilling:

A nine hole 1215.5m reverse circulation drilling program was completed on the property during November and early December 1996. The drilling was performed by Remsa drilling of San Luis Potosi who performed well. Samples were taken at 1m intervals over the entire length of all the holes. Samples were analysed for gold and silver by American Assay Laboratories.

The following table summarizes the drilling performed.

**Table 2**  
**Drilling Summary**

Hole #	Section	Azimuth	Inclination	Depth
LAC-96-1	4-4'	030°	-55°	143.5m
LAC-96-2	1-1'	030°	-65°	90.5m
LAC-96-3	3-3'	030°	-65°	90.5m
LAC-96-4	1-1'	030°	-65°	161m
LAC-96-5	4-4'	030°	-65°	207m
LAC-96-6	2-2'	030°	-65°	153m
LAC-96-7	2-2'	030°	-65°	97.5m
LAC-96-8	3-3'	030°	-65°	150m
LAC-96-9	5-5'	030°	-70°	122.5m

## 1996 Exploration Expenditures:

The cost of the 1996 exploration program on the Lachatao property was \$333,124.26 (US). Table three summarizes a breakdown of the various costs.

**Table 3**  
**1996 Exploration Expenditures**

Option Payment	=\$104,179.84
Salaries (Geology and Supervision)	=\$96,021.15
Labour (Casual)	=\$7,357.00
Assay Cost	=\$10,270.85
Living	=\$8,206.54
Travel & Transport	=\$20,600.50
Field Cost	=\$1,049.92
Telephone & Shipping	=\$3,028.70
Legal	=\$3,449.39
Government Fees	=\$5,762.37
Equipment Rental	=\$929.75
Drilling	=\$64,613.25
Maps and Prints	=\$590.58
Petrographic Study	=\$5,404.86
Office Expense	=\$1,134.01
Misc. Cost	=\$525.55
<b><u>Total</u></b>	<b><u>=\$333,124.26</u></b>

## RESULTS

### Petrology:

Several samples were collected from the C.R.M. core and from trenches and were forwarded to Dr. Eva Schandl at the University of Toronto for petrographic and fluid inclusion study. The results of her work are summarized in her report located in Appendix B of this report and will not be reiterated here.

### Trenching:

A total of fifteen trenches were completed in the San Pedro-San Pablo area of the Lachatao property. The locations of the trenches are illustrated on Drawing Zona San Pedro-San Pablo 1:1000 plan available in the pocket of this report.

Several of the trenches returned strongly anomalous to ore grade gold assays. Significant results returned from the trenching program are summarized in Table 4.

**Table 4**  
**Summary of Trench Results**

Trench #	Sample #	Thickness (m)	Au g/t	Ag g/t
1		30	0.366	
including		12	0.622	9.73
2		44	1.182	9.33
including		20	1.497	10.4

Trench #	Sample #	Thickness (m)	Au g/t	Ag g/t
3		30	1.590	14.04
including		14	2.403	18.27
4		22	0.382	14.4
Including		8.0	0.654	16.45
5	2457 - 2471	30.0	0.297	5.06
6	2474 - 2484	22.0	2.2	11.0
7	2133 - 2136	9.0	0.347	4.25
8	2137 - 2150	28.0	0.638	4.21
includes	2148 - 2150	6.0	1.011	9.13
9	4687 - 4704	35.0	0.631	3.47
10	4731 - 4750	50.0	0.449	14.15
includes	2421 - 2432			
	2421 - 2426	12.0	1.21	7.0
11	5633 - 5664	60.0	0.193	4.09
12	5725 - 5750	55.0	0.555	9.62
includes	5733 - 5737	10.0	1.56	32.92

Trench #	Sample #	Thickness (m)	Au g/t	Ag g/t
13	5501 - 5519	37.0	1.095	5.19
includes	5501 - 5503	6.0	0.624	4.71
14	5520 - 5534	30.0	0.046	0.36

#### Area Veta Nueva:

Trench #	Sample #	Thickness (m)	Au g/t	Ag g/t
15	5539 - 5589	113.0	0.3798	2.99
includes	5549 - 5556	16.0	5.691	15.27

The "Area Veta Nueva" is located about 200m northeast of the San Pedro-San Pablo epithermal system area and is possibly the northeast extension of it.

#### Drilling:

A nine hole reverse circulation drilling program was completed on the property designed primarily to test the potential of the San Pedro-San Pablo epithermal vein-stockwork system. The drill logs are available in Appendix C and the certificates of analysis are in Appendix D. The locations of the hole are illustrated on a 1:1000 plan "Localization De Barrenos" and on a 1:1000 plan "La Zona San Pedro-San Pablo" both of which can be found in the pocket of this report. The drill sections (1-1', 2-2', 3-3', 4-4', and 5-5') are also available in the pocket.

The drill program tested the San Pedro-San Pablo vein stockwork system over a strike length of 400m. The San Pedro-San Pablo area is underlain by a Tertiary volcanic sequence as follows youngest to oldest.

Rhyolite

Porphyritic Dacite (fresh)

Andesitic Tuff

Altered (silicified-argillized) Porphyritic Dacite

Kaolinized Porphyritic Dacite

The rhyolite unconformably overlies the fresh porphyritic dacite which overlies the lower interbedded altered volcanic sequence. The units dip shallowly (15-30°) to the southwest and strike to the southeast. Most of the holes intersected strongly anomalous to low ore grade gold mineralization over significant widths (See Table 5). The majority of the anomalous gold mineralization encountered, associated with epithermal vein material, was hosted in the silicified-argillized porphyritic dacite sequence.

**Table 5**  
**Assay Results From Drilling**

				RESULTS	
Drill Hole	From	To	Metres	Au g/t	Ag g/t
LAC-96-01	83.5	97.0	13.5	0.176	2.07
	137.5	139.0	1.5	20.620	57.0
LAC-96-02	17.0	66.5	49.5	0.509	6.69
includes	21.5	33.5	12.0	0.820	5.93
	80.0	81.5	1.5	13.214	10.1
	80.0	83	3.0	7.843	8.3



Drill Hole	From	To	Metres	Au g/t	Ag g/t
LAC-96-03	5.0	90.5	85.5	0.967	5.59
Includes	17.0	24.5	7.5	1.300	12.16
	29.0	44.0	15	2.138	12.11
	32.0	33.5	1.5	7.260	62.7
LAC-96-04	65.0	161	96	0.616	3.4
Includes	72.5	75.5	3	1.63	28.15
	90.5	98	7.5	1.877	4.23
	95	98	3.0	4.029	4.4
	117.5	125	7.5	2.357	6.62
LAC-96-05	NSV				
LAC-96-06	120	121.5	1.5	0.425	7.6
LAC-96-07	64.5	70.5	6.0	0.174	pending
LAC-96-08	81.0	114.0	33.0	0.281	pending
Includes	84.0	90.0	6.0	0.538	pending
LAC-96-09	34.5	57.0	22.5	0.404	4.64
Includes	52.5	54.0	1.5	1.942	5.2
	78.0	111.0	33	0.918	2.83
Includes	100.5	108	7.5	3.426	8.54
Includes	105.0	106.5	1.5	10.027	20.0

## DISCUSSION AND RECOMMENDATIONS

The results of the 1996 exploration program on the Lachatao property on the San Pedro-San Pablo epithermal system are very encouraging. Wide intercepts of low grade gold mineralization such as 0.967 g/t Au and 5.59 g/t Ag over 85.5m in hole LAC-96-3, 0.509 g/t Au and 6.69 g/t Ag over 49.5m in hole LAC-96-2, 0.616 g/t Au and 3.4 g/t Ag over 96m in hole LAC-96-4 and 0.918 g/t Au and 2.83 g/t Ag over 33m in hole LAC-96-9 may indicate the presence of a large tonnage low grade gold deposit (See Table 5). Further encouragement is indicated in assays such as 7.843 g/t Au and 8.3g/t Ag over 3m in LAC-96-3, 4.029 g/t Au and 4.4 g/t Ag over 3m in hole LAC-96-4 and 3.426 g/t Au and 8.54 g/t Ag over 7.5m in hole LAC-96-9 (See Table 5). These higher grade intervals are all hosted within wider low grade mineralization. At this stage of the exploration program, it would appear the property has good exploration potential for a bulk mineable low grade gold deposit which may contain higher grade gold pods or zones which may become significant in a mining situation as possible starter pits.

From the work completed to date (trenching and drilling) on the San Pedro-San Pablo system, it would appear that the system continues to the NW. Many of the drill holes bottomed in mineralization indicating the zone may be larger and possibly continues to the north and northeast as well. The "Veta Nueva" located about two hundred to two hundred and fifty metres to the north northeast of the San Pedro-San Pablo system returned 5.69 g/t Au and 15.28 g/t Ag and supports this idea. All of the anomalous gold intercepts are hosted in shallow dipping (15-25°) northwest striking altered (argillic and siliceous) porphyritic dacite. Since the drilling was done by reverse circulation methods only chips are available to sort out the possible style of gold mineralization. The chips indicate that numerous epithermal quartz veins are present within the porphyritic dacite which itself is pervasively mineralized with 0.5-1% pyrite. Whether the veins are metre scale in thickness or of stringer size is difficult to tell from the chips. We suspect some of the veins are tabular sheets 1-2m in thickness while many smaller veins or stringers form a stockwork. We suspect the gold is associated with both vein styles and could possibly be disseminated in the altered porphyritic dacite as well.

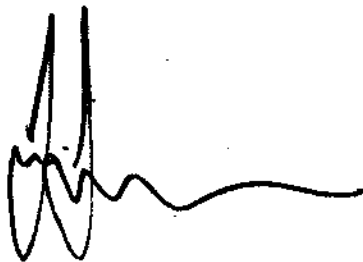
A two tiered exploration program is recommended for 1997 on the Lachatao property. An exploration program to assess the Lachatao property regionally is recommended. This program will consist of aerial photographs, stream sediment sampling and prospecting. The main exploration effort will take place in the San Pedro-San Pablo area. An exploration program consisting of detailed mapping, trenching and drilling to follow up the encouraging gold intercepts from the 1996 program is

recommended. To better understand the style of gold mineralization and structures associated with it, it is recommended that at least a portion of the new drilling be done utilizing a diamond drill. The cost of the 1997 exploration program is estimated at \$444,650.00(US).

**Table 6**  
**1997 Proposed Exploration Budget**  
**(U.S. Dollars)**

Geological mapping : 100 man days @ 250/day	=	\$25,000
Sampling : 2,000 samples @ \$20/sample	=	\$40,000
Geologist : 100 man days @ \$250/day	=	\$25,000
Air Photo's	=	\$20,000
Diamond Drilling : 1,200 m @ \$120/metre	=	\$144,000
Trenching	=	\$8,500
Land costs (filings, taxes and access)	=	\$140,000
Draftsman and Drafting Supplies	=	\$3,000
Telephone and courier	=	\$2,000
Supervision : 10 days @ \$400/day	=	\$4,000
Travel	=	\$15,000
Food and Lodging : 300 man days @ \$50/day	=	\$10,000
Petrographic Studies : 50 samples @ \$75/sample	=	\$3,750
Report : 20 man days @ \$250/day	=	\$5,000
<hr/>		
Sub-total	=	\$440,250
Contingency	=	\$9,750
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Total	=	\$450,000

Respectfully Submitted

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Jim Janzen and Roger Scammell

for

Juan Bennitez  
January 23, 1996

## REFERENCES

- Kearvell, G.K., Report of Activities, Lachatao Property, Edo. Oaxaca, Mexico., September 1, 1996, Inter company report.
- Kearvell, G.K., Weekly Report, November 4, 1996, Inter company correspondence
- Kearvell, G.K., Weekly Report, November 22, 1996, Inter company correspondence
- Sedlock, R.L., Ortega-Gutierrez, F., Speed, R.C., 1993, Tectonostratigraphic Terranes and Tectonic Evolution of Mexico; Geological Society of America, Special Paper 278.
- Schandi, E.S., Report on the Lachatao Project, South-Central Mexico, (Petrology, Fluid Inclusion Study, Trace and REE Geochemistry)., June 11, 1996.

**APPENDIX A**  
**OPTION AGREEMENT**

Agreement ratified 16 May 1996

Between: **MINERA TECK, S.A. de C.V.**  
and: **GRUPO NORTHAIR de MEXICO S.A. de C.V. ("Northair")**  
RE: Lachatao property, Mexico

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## SUMMARY

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1. Term: Agreement in force during term of concession.
2. Northair to maintain Exploration Contract and not exercise Purchase Option.
3. MT granted right to explore concession
- 3B. Work carried out by MT to be sufficient to meet annual assessment requirement.
- 3C. MT responsible to provide work report to Mines department and Northair.  
Report information to be provided to Northair within 30 days of termination, if MT terminates agreement.
- 3D. MT to provide **quarterly reports**.
- 3E. MT to deliver copy of Surface Tax payments to Northair within 60 days of payment being made.
4. MT to complete the following expenditures
  1. **16 May 1997** - US\$250,000
  2. **16 May 1998** - additional US\$550,000 (aggregate \$800,000)
5. MT to make following option payments:
  1. 16 May 1996 - US\$75,000
  2. 16 May 1997 - US\$100,000
  3. 16 May 1998 - US\$100,000
6. Upon completion of Expenditures (ie 16 May 1998) MT and Northair to form Operating Company - 51% MT, 49% Northair (Sch.A) Statement of Expenditures due to Northair within 30 days of request by Northair.

SUMMARY of Agreement:

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Page 2

- 7A. MT may increase its percentage in Operating Company to 60% by completing additional US\$1,000,000 expenditures and US\$100,000 payment to Northair.
- 7B. Upon acquisition of 60% MT may increase its percentage up to 85% by completing feasibility study and obtaining operating financing.
- 7C. Once MT has recovered Investments, Northair may increase its percentage from 15% to 30%.
- 8. MT to reimburse Northair for payments made during first 2 years under Exploration Contract. Payments to be considered part of expenditures.
- 9. Right of First Refusal for assignment.
- 11A. 30 days written notice required for termination.
- 14. Area of Interest - concessions acquired located outside perimeter of concession become subject to agreement.

Signatures

Exhibit A - Statutes of Operating Company

KLD: 6/26/96

XC: R. Scammell  
J. Ruetz



# LACHATAO PROJECT

INTERNATIONAL NORTHAIR MINES LTD.

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GRUPO NORTHAIR DE MEXICO, S.A. DE C.V.



## CORPORATE DATA

**SHARES ISSUED:** 5,115,647

**FULLY DILUTED:** 6,544,647

**WORKING CAPITAL:** \$ 1,500,000 Canadian

**EXCHANGE & SYMBOL:** Vancouver Stock Exchange: INM

**Corporate Office**  
860 – 625 Howe Street  
Vancouver, B.C.  
Canada V6C 2T6  
Tel: (604) 687-7545  
Fax: (604) 689-5041

**Denver Office**  
3552 East Fremont Place  
Littleton, Colorado  
USA 80122  
Tel: (303) 694-7290  
Tel: (303) 770-0356

## COMPANY PROFILE

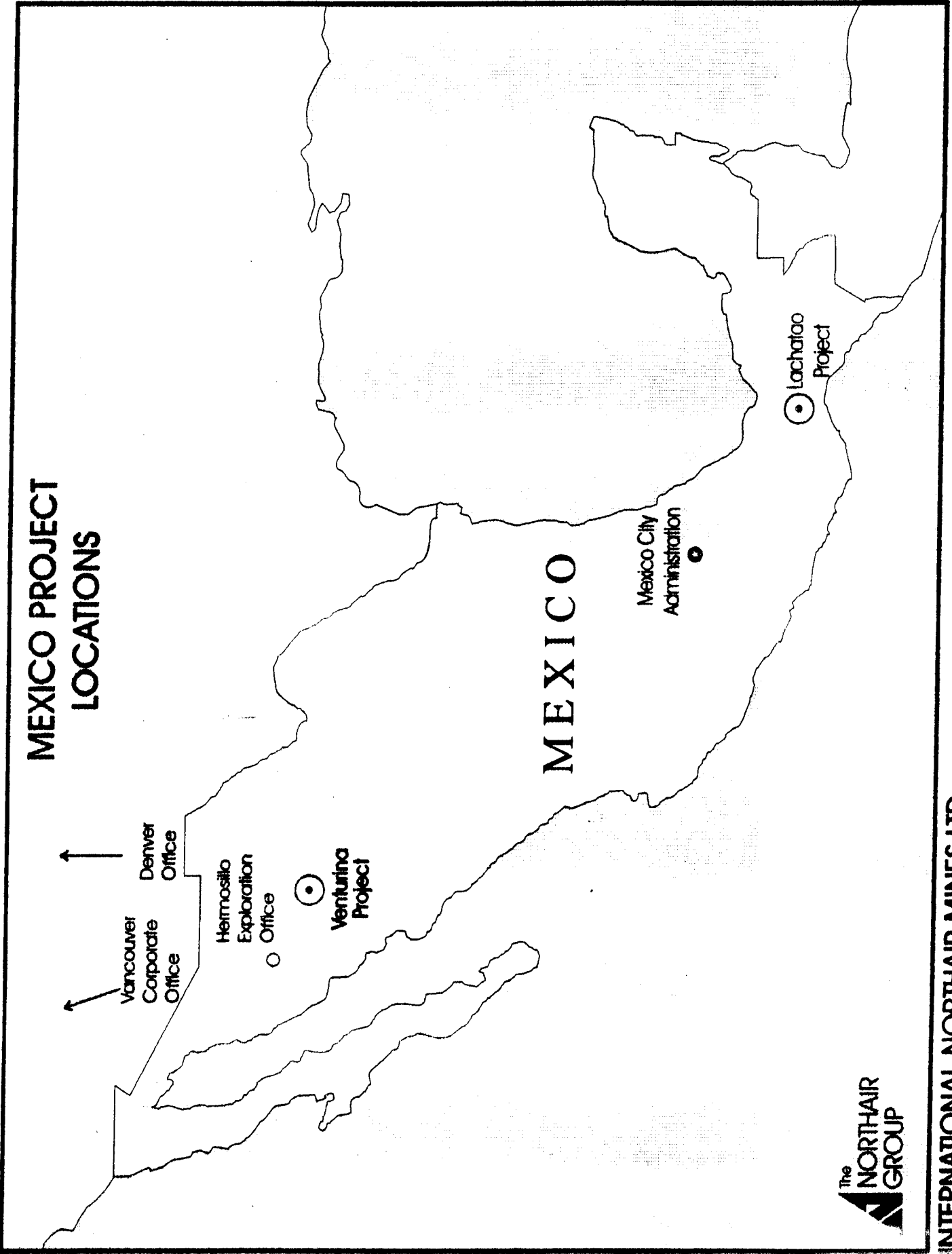
Grupo Northair de Mexico, S.A. de C.V. is a wholly owned subsidiary of **International Northair Mines Ltd.** International Northair is a public company that trades on the Vancouver Stock Exchange (trading symbol: INM) with its head office located in Vancouver, B.C. The Company is managed by the Northair Group which was formed in 1966 to provide common management and technical expertise to a group of associated public companies. The Group is active throughout North and South America in its effort to acquire and develop precious metal, base metal and diamond properties. The Northair Group has developed a reputation of excellence within the mining, exploration and financial communities, and has developed three properties to production.

In 1995 International Northair expanded its efforts to Mexico by acquiring Lac Minerals' Mexican subsidiary company (Minera Lac de Mexico, S.A. de C.V.) and transferred assets to Grupo Northair de Mexico, S.A. de C.V. Exploration offices are in Denver, Colorado and Hermosillo Mexico, with an administrative office in Mexico City. Grupo Northair is managed by James Robinson (Vice President - Exploration, Latin America). Mr. Robinson has over 20 years of North American and international experience in gold and precious metals exploration. Prior to joining International Northair, he was District Manager for Lac Minerals' programs in Mexico, Central America and the Caribbean.

Grupo Northair's focus is to acquire, explore and develop bulk minable gold, silver and polymetallic deposits in Mexico. The Company currently has two active projects. The **Lachatao** project in the state of Oaxaca has been Joint Ventured with Teck Corporation. Two phases of drilling by Teck on this exciting project has defined several bulk tonnage gold - silver targets. Lachatao has advanced to Teck's highest priority precious metals exploration project in Mexico. The joint venture with Teck has created a powerful well financed team committed to the development of the project. In December of 1997 the Company acquired the **Venturina** property in the state of Chihuahua. Mapping and sampling has defined a roughly 75 meter wide gold - silver zone with first phase sample results averaging 2 g/t gold and > 30 g/t silver. The deposit appears ideal for surface mining. The Company intends to independently explore this promising property through initial exploration.

Grupo Northair will continue to maintain a long term growth strategy focusing on the acquisition of bulk tonnage precious and base metal deposits that can be developed either through sole ownership or joint ventures. The Company is currently evaluating several encouraging silver and polymetallic properties in order to diversify their portfolio. **International Northair Mines Ltd.** remains well positioned and well funded to survive the current economic conditions in the metals mining business. The Company's philosophy is to remain conservative with cash spending, but to take advantage of the current lack of competition by acquiring quality properties. Most of Grupo Northair's exploration activities are concentrated in areas of good access and infrastructure.

# MEXICO PROJECT LOCATIONS



INTERNATIONAL NORTHHAIR MINES LTD.  
GRUPO NORTHHAIR DE MEXICO, S.A. DE C.V.



**LACHATAO PROJECT**  
**Oaxaca, Mexico**  
**International Northair Mines Ltd.**  
**Grupo Northair de Mexico, S.A. de C.V.**

- 8 x 8 km land position
- Good access and infrastructure
- Control over a major epithermal gold - silver district
- Significant historical production
- Eleven bulk tonnage targets currently identified
- + 1 M oz gold potential
- Joint Venture with Teck
- Two very encouraging drill programs completed
- Four of five targets drilled to date reported significant intercepts of >1 g/t gold
- Several targets have high grade silver
- Excellent exploration potential

# LACHATAO PROJECT

## Exploration Highlights

### San Pedro – San Pablo Target

- ~450 x 450 meter zone of alteration and mineralization
- Trench Results include: 44 m @ 1.182 g/t Au      16 m @ 5.691 g/t Au  
30 m @ 1.590 g/t Au      37 m @ 1.095 g/t Au  
22 m @ 2.200 g/t Au
- **9 RVC Drill Holes**
- Drill Results include: 7.5 m @ 2.357 g/t Au      33.0 m @ 0.918 g/t Au  
85.5 m @ 0.967 g/t Au      7.5 m @ 1.877 g/t Au

### La Colorada Target

- ~220 x 320 meter zone of alteration and mineralization
- Stockwork, vein and hydrothermal breccia
- Trench Results include: 6 m @ 2.18 g/t Au      8 m @ 1.16 g/t Au  
8 m @ 2.60 g/t Au      10 m @ 1.2 g/t Au
- 2 Core Holes
- Drill Results include: 15 m @ 1.234 g/t Au      11 m @ 0.785 g/t Au  
35 m @ 1.553 g/t Au

### Benitez Target

- ~15 meter thick low angle vein surrounded by low grade stockwork
- 2 Core Holes
- Drill Results include: 13 m @ 0.912 g/t Au      40 m @ 0.526 g/t Au  
12 m @ 1.017 g/t Au

### Corazon de Oro Target

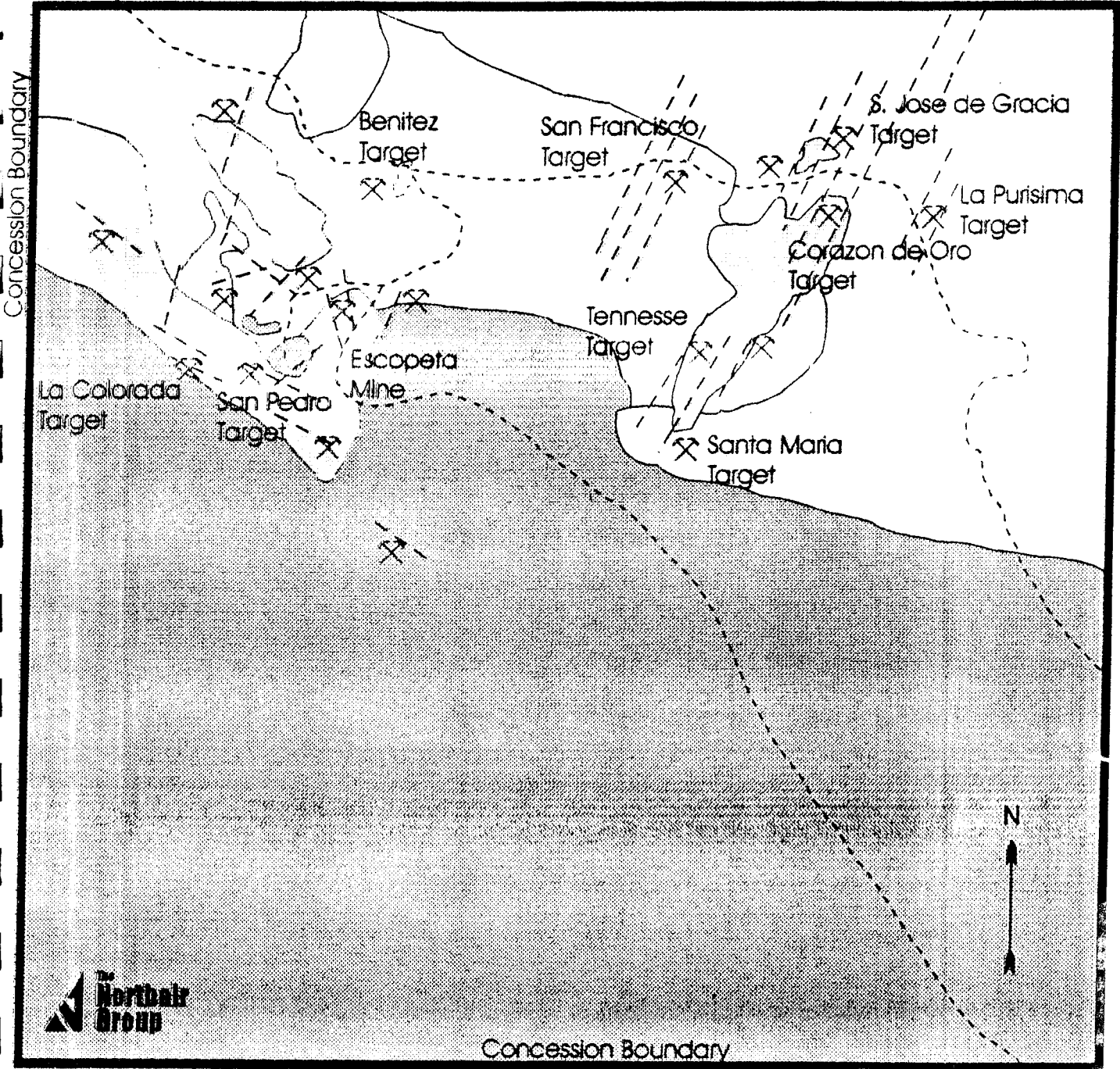
- Large zone of veining and stockwork
- Strong silver mineralization
- 7 Core Holes
- Drill Results include: 1.5 m @ 4.120 g/t Au, 26.8 g/t Ag  
4.5 m @ 1.367 g/t Au, 107.8 g/t Ag  
7.5 m @ 1.0 g/t Au, 47.0 g/t Ag  
27 m @ 1.669 g/t Au, 77.0 g/t Ag  
(Results pending for holes 20 & 21)

# Lachatao Project

## Oaxaca, Mexico

⌘ Natividad Mine

To Highway  
And Oaxaca



Concession Boundary



March, 1998

- LEGEND**
- Access Road
  - ⌘ Historic Mining Area
  - - - Zones of Gold Mineralization
  - Dacite Intrusives
  - Andesite Volcanics
  - ▣ Andesite Porphyry
  - Mesozoic Sediments

International Northair Mines Ltd.  
Grupo Northair de Mexico, S.A. de C.V.

**LACHATAO PROJECT**  
**Oaxaca, Mexico**  
**International Northair Mines, Ltd.**  
**Grupo Northair de Mexico, S.A. de C.V.**  
March, 1998

**Introduction**

In October of 1995, Grupo Northair de Mexico, S.A. de C.V., a wholly owned subsidiary of International Northair Mines Ltd. (INM - VSE) signed an option to acquire an 8 x 8 kilometer concession that covers most of the Sierra de Juarez gold mining district (referred to as the "Lachatao" property) in the state of Oaxaca, Mexico. The property position gives the Company control of a large district that has been exploited from Colonial times to the present. The famous Natividad Mine which produced over 1 million ounces of high grade gold is immediately outside the concession boundary. At least eleven bulk tonnage targets have been identified to date within the concession that collectively have the potential to contain over one million ounces of gold at grades equivalent to 1 - 3 g/t gold and significant silver. The property is located in the Sierra Madre Oaxaqueña, approximately 40 linear kilometers from the city of Oaxaca. It is accessed by about 55 km of paved highway followed by 12 km of improved dirt road.

Northair completed first phase mapping and sampling of much of the northern half of the property where several bulk tonnage targets were identified. In May of 1996 the Company entered into Joint Venture with Minera Teck, S.A. de C.V., the Mexican subsidiary of Teck Corporation, to explore and develop the property. Teck has the right to earn up to a 70% interest in the project by making cash payments to Grupo Northair of US \$375,000, expending a total of US \$1,750,000 in exploration on the property, funding the Joint Venture program through a feasibility study and arranging all project financing for production. Teck's results to date have been very encouraging. Two drilling programs have been completed. A first phase drill program consisting of nine reverse circulation holes totaling 1215.5 meters was completed in the San Pedro - San Pablo zone in December of 1996, with results confirming the possible presence of at least one bulk minable target within the property. A second phase of core drilling consisting of 12 holes totaling approximately 1200 meters has recently been completed to test four additional target. Three of the four had significant intercepts of >1 g/t gold. High grade silver mineralization has been identified in the northeast portion of the property.

The Joint Venture with Teck has created a powerful well financed exploration team that is committed to fully evaluating the district's potential.



### **General Geology**

The district is located within a major Tertiary volcanic center superimposed within Paleozoic-Cretaceous metamorphic and sedimentary rocks. The oldest rocks in the district are Paleozoic low grade metasediments. Jurassic to lower Cretaceous calcareous siltstone and sandstone and thin bedded dolomitic limestone unconformably overlie the metasediments. The district contains a large porphyry core ranging in composition from andesite to dacitic. External to this intrusive center are coeval near source andesitic volcanic facies. Abundant hypabyssal rhyodacite to dacite porphyry stocks and dikes have been mapped near the contacts of the central intrusive complex. The district contains several repeating structural patterns, two of which (W-NW and N-NE) are important controls for hosting mineralization.

### **Ore Deposits**

Teck has identified at least eleven target areas that occur within a curvilinear zone of alteration that is about 3 kilometres wide and 8 kilometres long paralleling the northern contacts of the central porphyry. Teck has identified epithermal gold - silver mineralization in zones of closely spaced veins and hydrothermal breccias, as well as in stockwork and disseminated systems. Epithermal gold - silver mineralization has been observed in all of the above mentioned sediments, intrusives and volcanics. All of the mineralization observed to date occurs near the contacts with the central porphyry, and appears to be stronger in areas containing the outlying dacite hypabyssal intrusives. Most of the mineralization occurs along the major fault conduits which also localized some of the dikes. Mineralization is particularly strong in areas of structural intersections. Several of these mineralized zones of structural intersection have been recognized with widths exceeding 30 meters with average grades of 1 - 3 g/t gold. Large zones of gold bearing stockwork quartz veins with disseminated mineralization have been observed in dacite porphyries, as well as sediments and volcanics. The andesite porphyry and associated near facies volcanics, as well as the calcareous sandstone and siltstone are very receptive units for bulk tonnage potential due to porosity. Higher grade vein deposits such as Natividad occur in more brittle rocks.

Fluid inclusion and petrographic studies indicate that the district contains a mature upper level epithermal system. Fluid inclusion studies showed homogenization temperatures between 238° and 279° C. Fluid salinity has a mean value of 2.0 equivalent weight % NaCl. Petrographic studies of mineralized surface samples reveal multiple generations of silicification frequently accompanied by adularia, jarosite and hematite, with a general lack of sulfides. Gold and silver appears to be associated with low levels of arsenic, antimony and mercury. Preliminary bottle roll tests reported an average 99% recovery for gold.

## Targets

### San Pedro - San Pablo

This target occurs along a moderately south dipping W-NW fault zone with an exposed mineralized strike length of ~800 meters. Near the primary target area, this structure forms the contact between andesite porphyry and lithic tuff on the foot-wall, and dacite porphyry on the hanging wall. A high angle N-NE fault system intersects the zone. This structural system hosts the adjacent Veta Nueva zone. Multi-event silicification is developed along the both structures, and consists of massive silicification and stockwork. The massive zone of silicification along the W-NW fault is locally over 40 meters in true thickness, with >1 g/t gold from drill intercepts, trenches and rock chip samples common. The general target area as defined by >100 ppb gold from outcrop and trench sampling is ~450 m by 450 m. More than 35% of all samples within this area are > 500 ppb gold, with many > 1 g/t gold.

In 1991 the Consejo de Recursos Minerales drilled six core holes in this target area. Although many sections of the holes were not assayed, the Consejo indicated a resource of 10 Mmt @ 1.0 g/t gold. Significant results from assayed intervals are summarized in the table below.

**Table 1**  
**Consejo Drilling Summary**  
**San Pedro - San Pablo Target**

Drill Hole	Thickness (m)	Gold g/t	Silver g/t
BDSPP-1	3.50	2.17	9.76
"	20.45	1.25	9.66
BDSPP-2	11.45	0.91	12.07
"	1.00	3.40	21.60
"	1.45	2.60	7.00
"	3.55	0.92	10.40
"	3.95	6.74	88.24
BDSPP-3	7.30	2.78	16.12
"	8.60	1.49	Unknown
BDSPP-4	8.25	1.19	Unknown
BDSPP-5	8.35	1.00	5.00
"	1.75	1.86	5.64
"	1.80	1.05	2.75
BDSPP-6	13.95	6.68	16.12
"	1.35	3.03	7.43
"	4.20	1.68	6.36

During the last quarter of 1996 Teck excavated 15 hand dug trenches and sampled outcrops with two meter channels. This trenching program resulted in the discovery of the Veta Nueva zone (Trench 15) about 200 meters northeast of San Pedro - San Pablo, reporting 5.691 g/t gold over 16 meters. Results of the trenching program are summarized below.

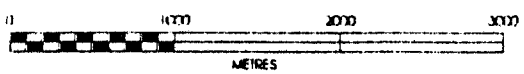
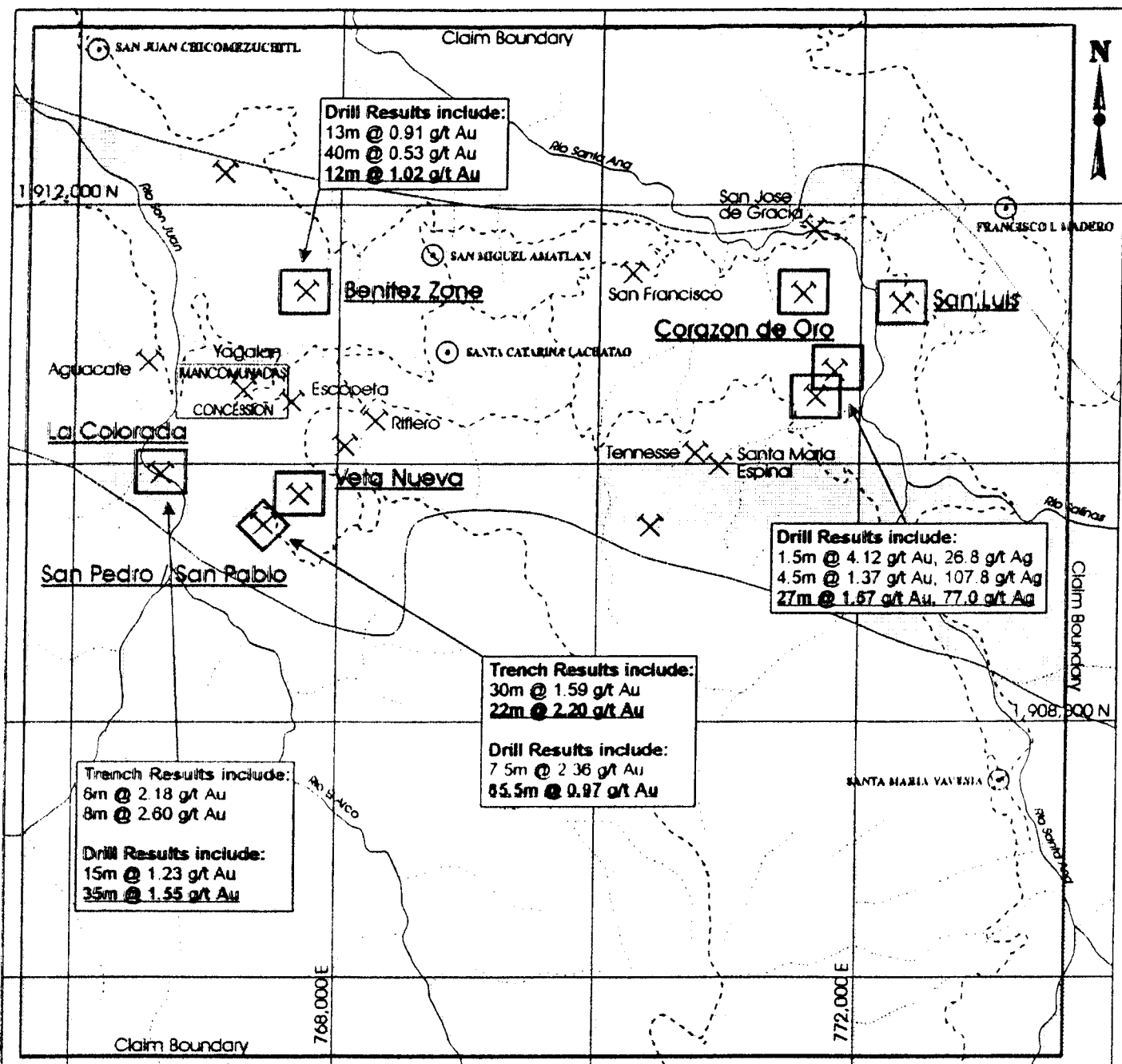
**Table 2**  
**Summary of Teck Trench Results**  
**San Pedro – San Pablo Target**

Trench #	Interval (m)	Gold g/t	Silver g/t
1	30	0.366	
includes	12	0.622	9.73
2	44	1.182	9.33
includes	20	1.497	10.40
3	30	1.590	14.04
includes	14	2.403	18.27
4	22	0.382	14.40
includes	8	0.654	16.45
5	30	0.297	5.06
6	22	2.200	11.00
7	9	0.347	4.25
8	28	0.638	4.21
includes	6	1.011	9.13
9	35	0.631	3.47
10	50	0.449	14.15
includes	12	1.210	7.00
11	60	0.193	4.09
12	55	0.555	9.62
includes	10	1.560	32.92
13	37	1.095	5.19
14	30	0.046	0.36
15	113	0.379	2.99
includes	16	5.691	15.27

During December of 1996 Teck completed a nine hole reverse circulation drilling program totaling 1215.5 meters in the San Pedro – San Pablo target area. Results were very encouraging, indicating the possible presence of a large bulk tonnage deposit. The drilling program encountered vein, stockwork and disseminated gold mineralization primarily in lithic tuffs. Several of the holes bottomed in mineralization. Of particular interest to Teck is disseminated gold values over long intercepts within altered volcanic and intrusive rocks. Significant results from the drilling program are summarized below.

**Table 3**  
**Summary of Teck Drilling Results**  
**San Pedro – San Pablo Target**

Drill Hole #	From (m)	To (m)	Interval (m)	Gold g/t	Silver g/t
Lach 96-1	83.5	97.0	13.5	0.176	2.07
	137.5	139.0	1.5	20.620	57.00
Lach 96-2	17.0	65.5	49.5	0.509	6.69
	80.0	83.0	3.0	7.843	8.30
Lach 96-3	5.0	90.5	85.5	0.967	5.59
Includes	17.0	24.5	7.5	1.300	12.16
Includes	29.0	44.0	15.0	2.138	12.11
Includes	32.0	33.5	1.5	7.260	62.70



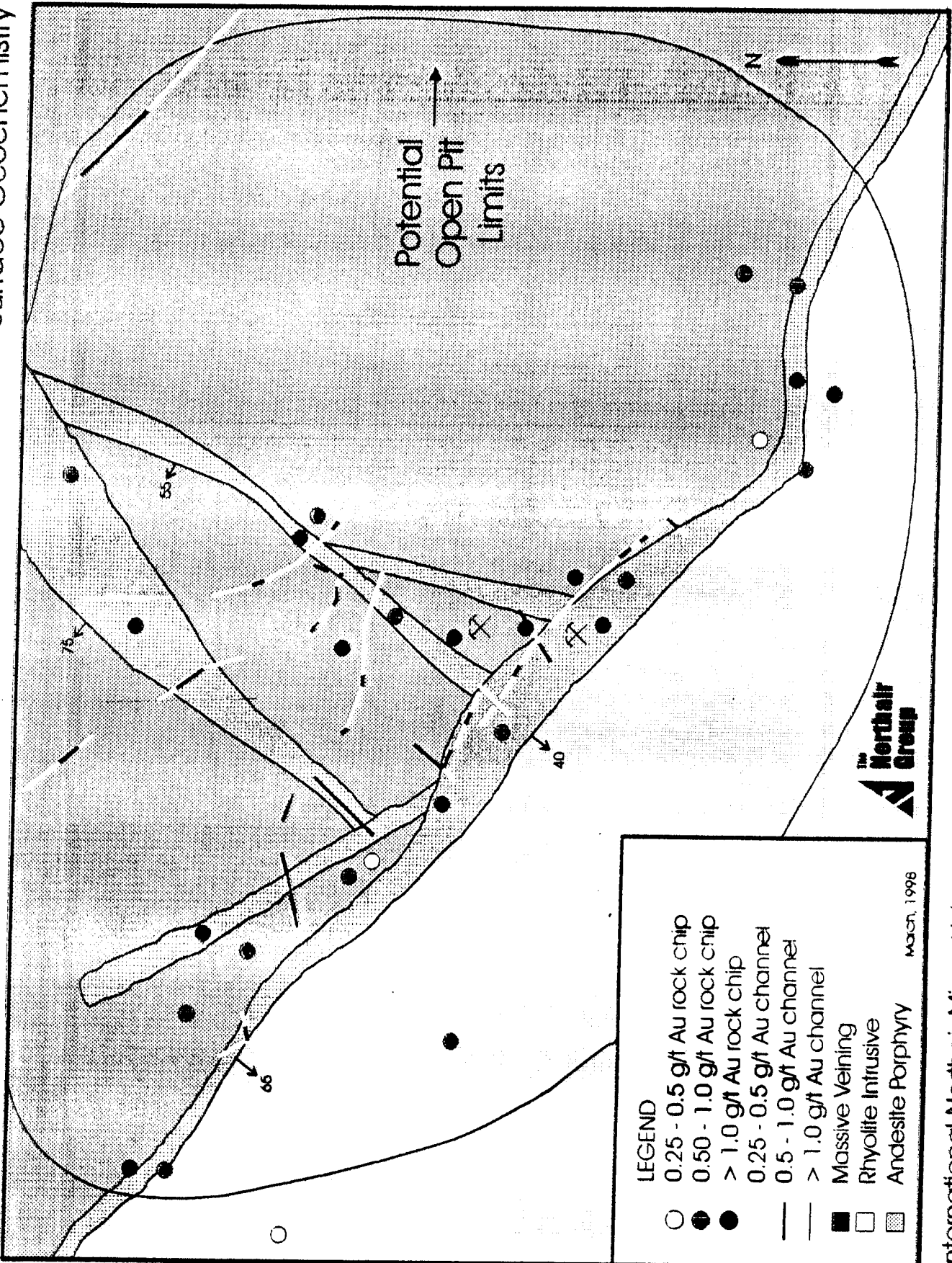
- Gold Occurrence
- 1997/1998 Drilling Program
- 1996 Drilling Program
- Zone of intense alteration, favorable geology and numerous gold occurrences.
- Intrusive rocks / generally unmapped
- Road

**INTERNATIONAL NORTHAIR MINES LTD.**  
**GRUPO NORTHAIR DE MEXICO, S.A. DE C.V.**  
**MINERA TECK, S.A. DE C.V.**

**LACHATAO PROJECT**  
**OAXACA, MEXICO**

March 1998





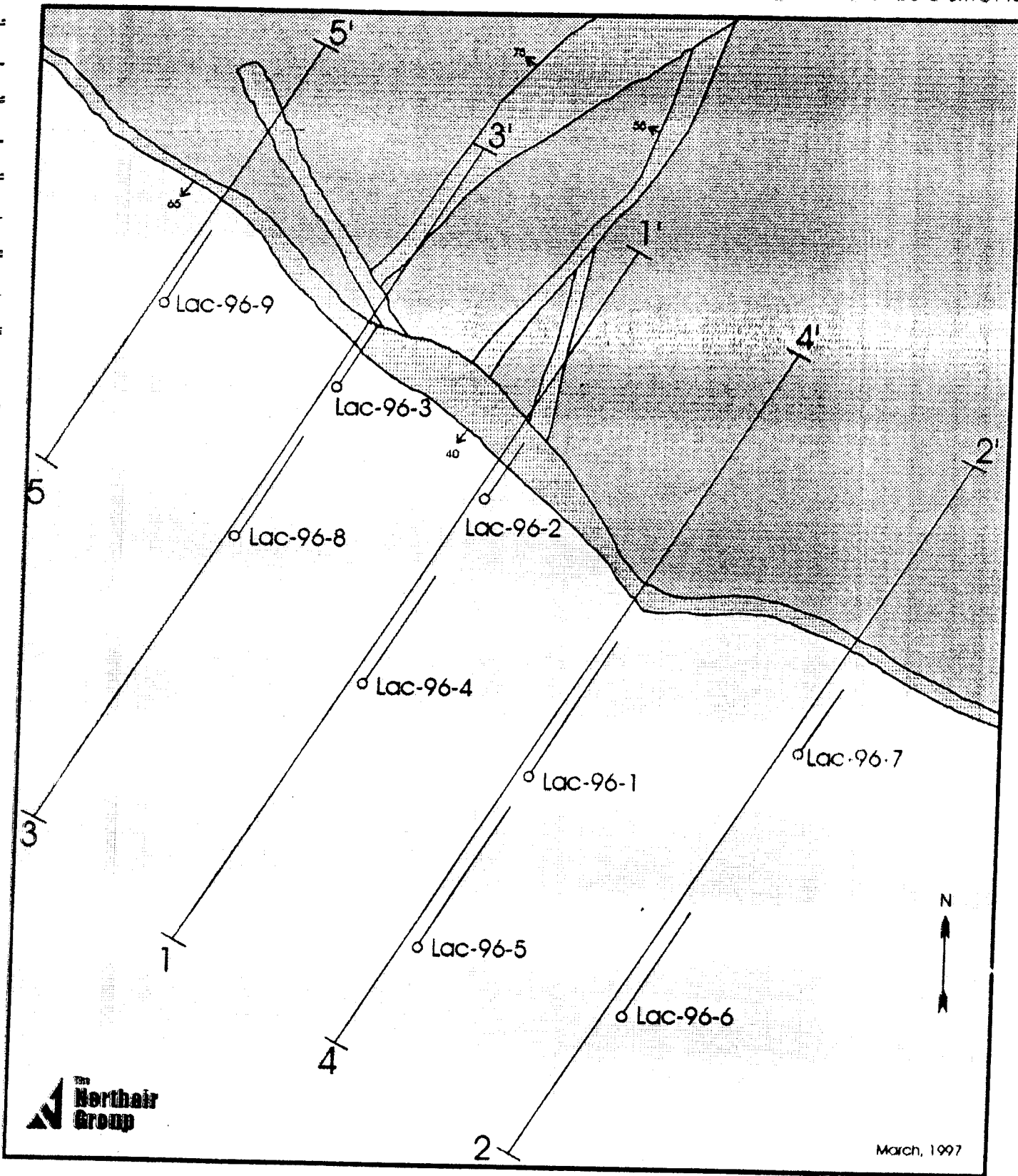
International Northair Mines Ltd.  
 Grupo Northair de Mexico, S.A. de C.V.



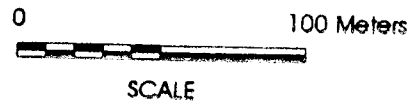
# Lachatao Project

San Pedro Target

Drill Hole Locations



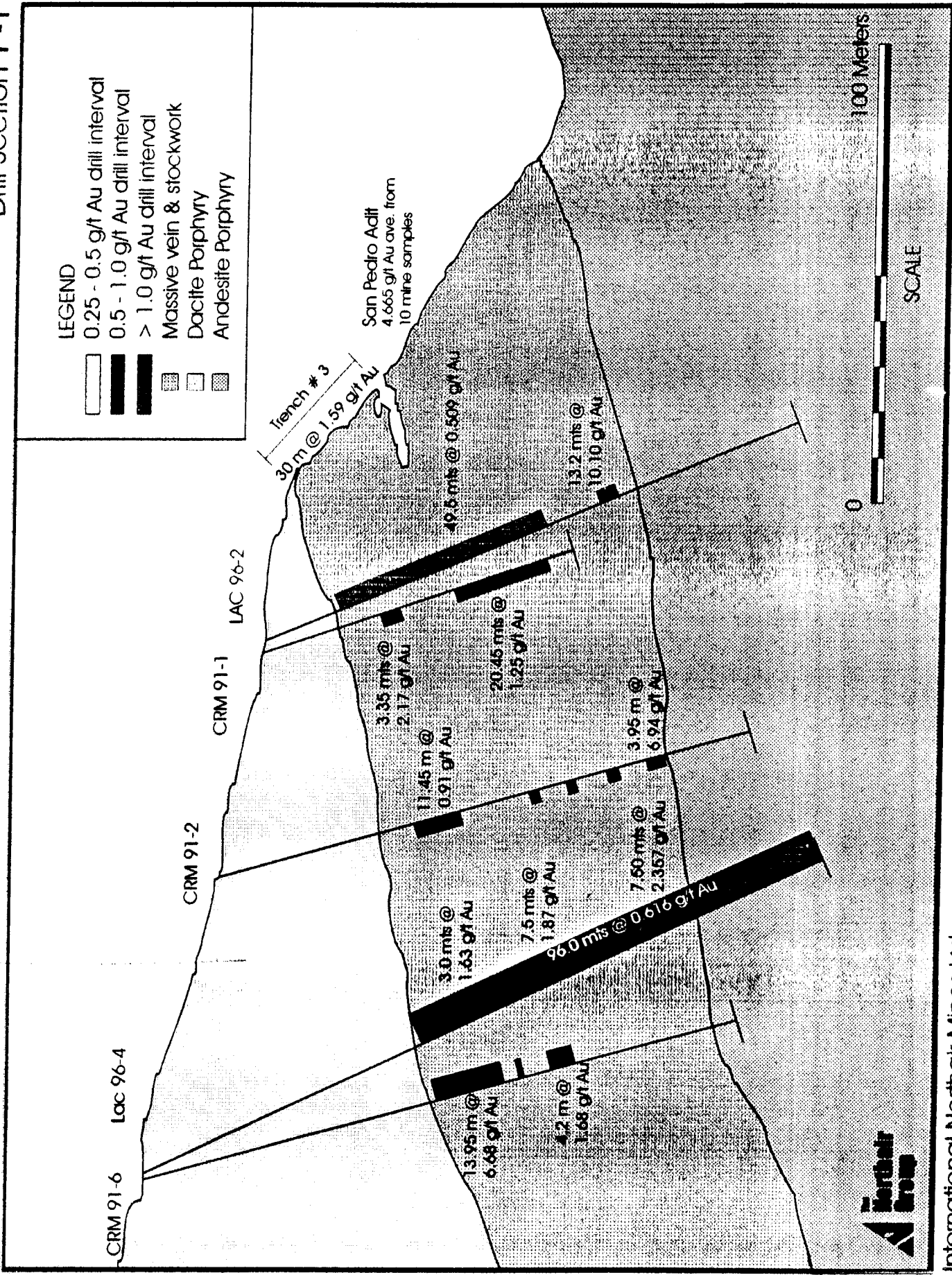
International Northair Mines Ltd.  
Grupo Northair de Mexico, S.A. de C.V.



# Lachatao Project

## Drill Section 1 -1'

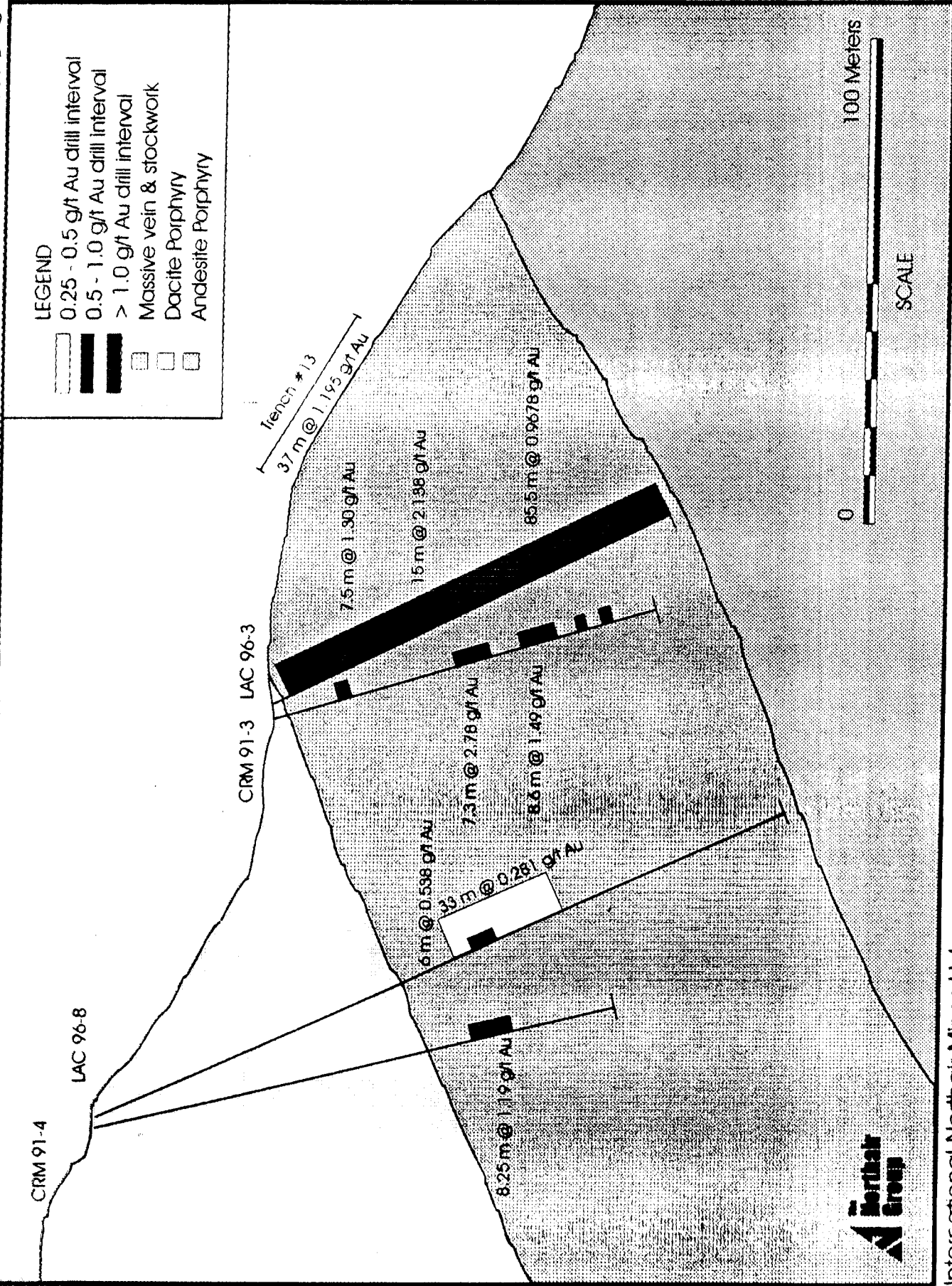
## San Pedro Target



March, 1998



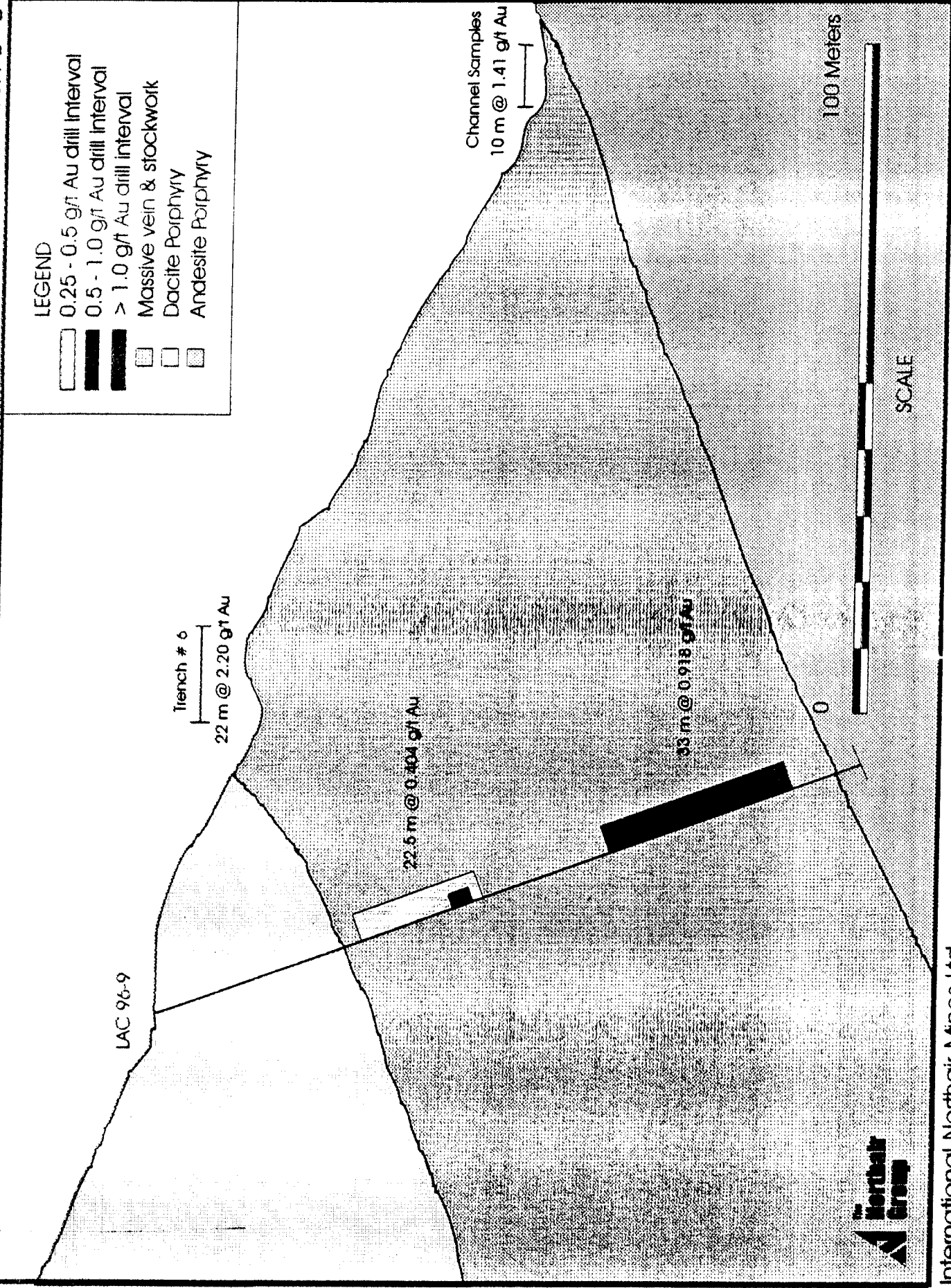
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International Northair Mines Ltd.  
 Grupo Northair de Mexico, S.A. de C.V.

March, 1996





- LEGEND**
- 0.25 - 0.5 g/t Au drill interval
  - 0.5 - 1.0 g/t Au drill interval
  - > 1.0 g/t Au drill interval
  - Massive vein & stockwork
  - Dacite Porphyry
  - Andesite Porphyry

Channel Samples  
10 m @ 1.41 g/t Au

100 Meters

SCALE



International Northair Mines Ltd.  
Grupo Northair de Mexico, S.A. de C.V.

March, 1998

Drill Hole #	From (m)	To (m)	Interval (m)	Gold g/t	Silver g/t
Lach 96-4	65.0	161.0	96.0	0.616	3.40
Includes	72.5	75.5	3.0	1.630	28.15
Includes	90.5	98.0	7.5	1.877	4.23
Includes	117.5	125.0	7.5	2.357	6.62
Lach 96-9	34.5	57.0	22.5	0.404	4.64
	78.0	111.0	33.0	0.918	2.83
includes	105.0	108.0	7.5	3.426	8.54

### La Colorada

Stockwork, vein and hydrothermal breccia mineralization has been defined in a ~220 m by 320 m zone hosted by dacite porphyry at this target. This zone is contiguous to San Pedro-San Pablo. Both N-NE and W-NW structures intersect the zone. There are only two small mine workings. Outcrop and trench sample results are very encouraging.

**Table 4  
Summary of Teck Trench Results  
La Colorada Target**

Trench #	Interval (m)	Gold g/t
24	6.0	2.180
"	8.0	2.600
25	8.0	1.165
26	10.0	1.200

Two holes spaced about 300 metres apart were drilled at the La Colorada zone in late 1997. Both had excellent results

**Table 5  
Summary of Teck Drilling Results  
La Colorada Target**

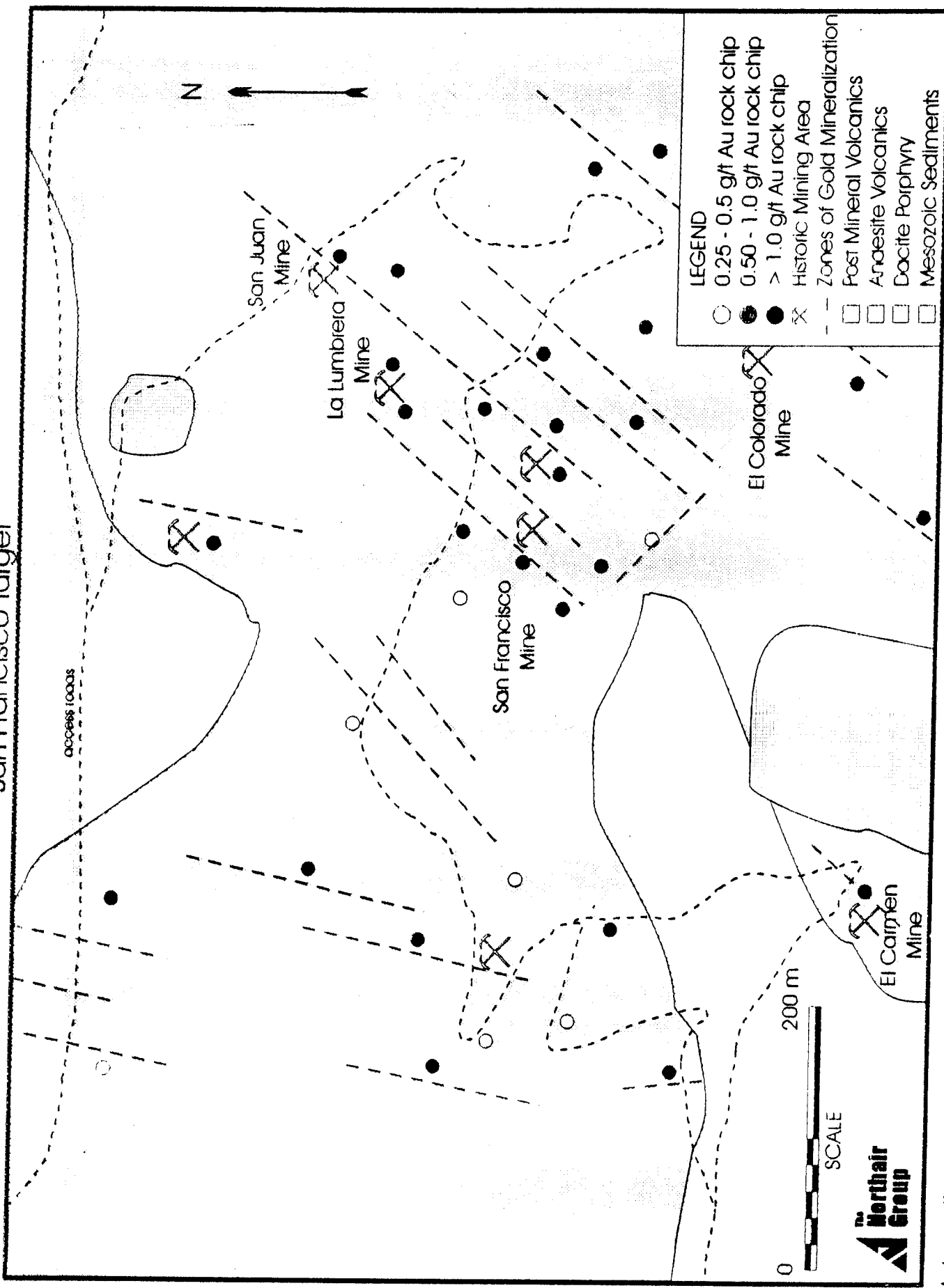
Drill Hole #	From (m)	To (m)	Interval (m)	Gold g/t	Silver g/t
Lach-97-13	25.5	40.5	15.0	1.234	45.2
"	51.0	62.0	11.0	0.785	34.2
Lach-97-14	20.0	55.5	35.5	1.553	18.3

This high priority target has only been partially tested, and remains open in all directions.

### Benitez Zone

The Benitez zone contains a thick shallow dipping zone of quartz veins and stockworking averaging about 1.0 g/t gold within a wide envelope of lower grade mineralization. Host rocks are andesitic lithic tuffs. This zone is open at depth and along strike. Teck drilled two holes spaced approximately 300 metres apart to test this zone. Results are very encouraging.

San Francisco Target



**LEGEND**

- 0.25 - 0.5 g/t Au rock chip
- ◐ 0.50 - 1.0 g/t Au rock chip
- > 1.0 g/t Au rock chip
- X Historic Mining Area
- - - Zones of Gold Mineralization
- ▨ Post Mineral Volcanics
- ▩ Andesite Volcanics
- ▤ Dacite Porphyry
- Mesozoic Sediments

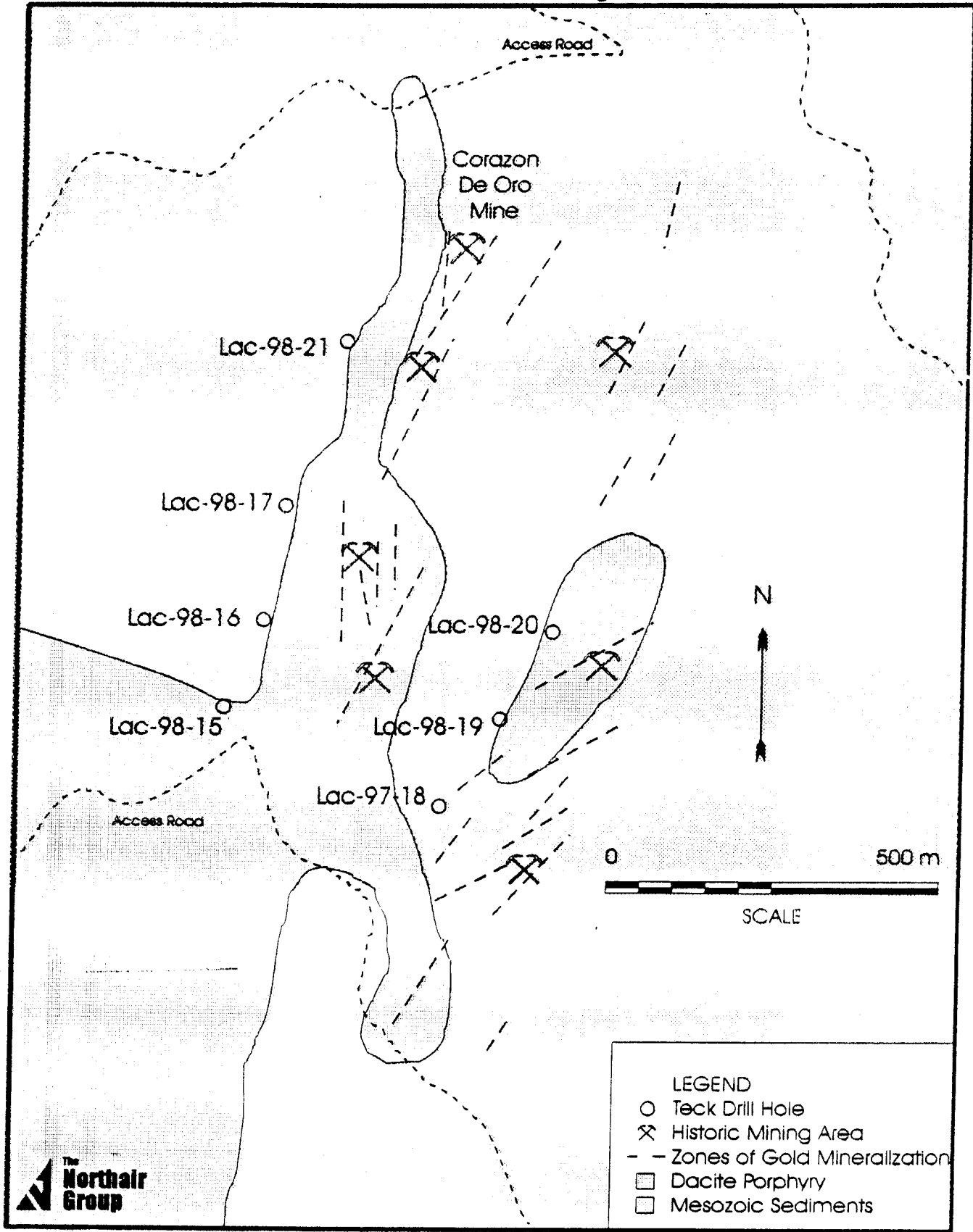


International Northair Mines Ltd.  
 Grupo Northair de Mexico. S.A. de C.V.

March, 1998

# Lachatao Project

## Corazon de Oro Target



**Table 6**  
**Summary of Teck Drilling Results**  
**Benitez Target**

Drill Hole #	From (m)	To (m)	Interval (m)	Gold g/t	Silver g/t
Lach-97-10	42.0	54.0	12.0	1.017	4.1
"	63.0	103.5	40.5	0.526	5.3
Lach-97-11	73.5	87.0	13.5	0.912	10.77

Escopeta Mine

This mine is in operation by the underlying owner, and is currently excluded from Northair's option. Favorable discussions have been held with the owners to negotiate a separate option agreement in the future. They are mining underground and delivering ores to a 80 tpd flotation mill near the town of Santa Catarina Lachatao with head grades averaging about 6 g/t gold. The mine area contains a series of closely stacked dip - slope veins over a width of approximately 30 meters. The exposed strike length of the vein series is ~300 meters. Northair's sampling from outcrops and mine workings have confirmed a total grade potential of >1.5 g/t gold. The target in this zone could be ~3.5 Mmt @ 2 g/t gold (~200,000 oz.) of near surface mineralization.

San Francisco

This target area contains abundant small to medium sized underground workings within a wide zone of N-NE mineralized structures in intensely argillized porous andesitic flows. The width of the structural zone is ~700 meters, with an exposed strike length of ~800 meters. The southern portion of the system is covered by a thin veneer of post-mineral tuff. Reconnaissance mapping and sampling indicates that this area is very favorable for bulk tonnage mineralization due to the host rock being more favorable for stockwork and disseminated mineralization. An open pit target potential in this area could contain a surface area of 75 x 600 meters with 1 g/t gold. This zone has not received any drilling.

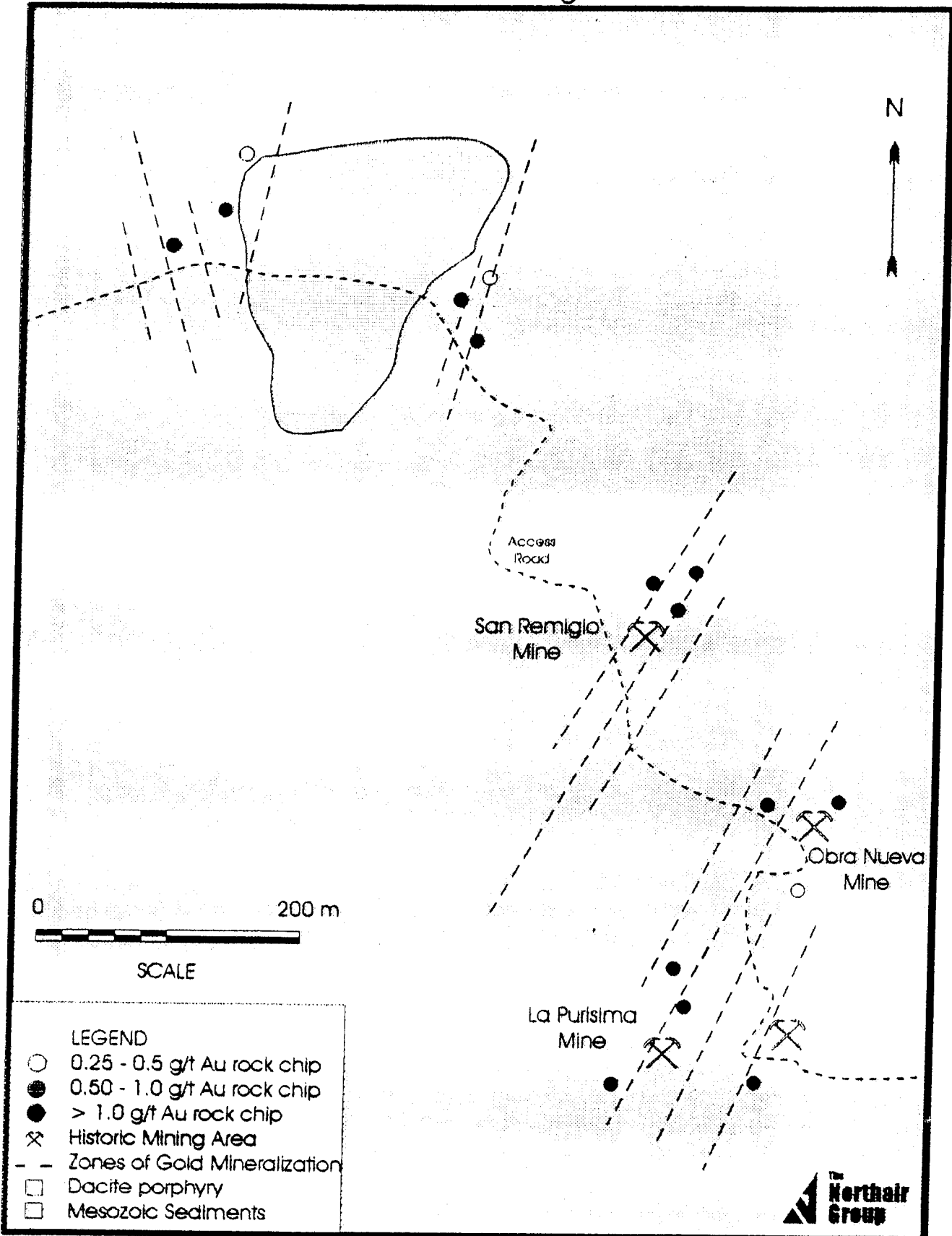
Corazon de Oro

Corazon de Oro contains abundant prospects and moderate sized underground mines that explored and developed gold - silver mineralization associated with two sub-parallel N-NE structures. This structural zone is part of the same system that hosts the Natividad mine, 2 km to the northeast.

The two parallel zones are approximately 300 metres apart with a mapped strike length of about 1.5 kilometers. The western zone is entirely within intensely altered dacite porphyry. The eastern zone is near the intrusive contact with the porphyry and limestone and sandstone. The width of each of the two structural zones is ~100 meters over a strike length of ~700 meters. Within each structural zone are abundant closely spaced veins and associated stockworking. Samples taken primarily from the mine workings commonly contain 1 - 4 g/t gold to a high of 79.54 g/t gold. Silver and base metal values are much higher in this portion of the property. An open pit target potential in this area could contain a surface area of 75 x 300 meters. Teck drilled seven core holes in this area in late 1997. All holes encountered gold and silver mineralization. Drill hole 17 intersected 27 meters of 1.669 g/t gold and 77 g/t silver. Results from holes 20 and 21 are pending.

# Lachatao Project

## La Purisima Target



**LEGEND**

○	0.25 - 0.5 g/t Au rock chip
●	0.50 - 1.0 g/t Au rock chip
●	> 1.0 g/t Au rock chip
⌘	Historic Mining Area
- -	Zones of Gold Mineralization
□	Dacite porphyry
□	Mesozoic Sediments



**Table 7**  
**Summary of Teck Drilling Results**  
**Corazon de Oro Target**

<b>Drill Hole #</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Gold (g/t)</b>	<b>Silver (g/t)</b>
Lach-97-15	67.5	69.0	1.5	4.120	26.8
Lach-97-16	67.5	73.5	6.0	0.319	9.2
Lach-97-17	90.0	117.0	27.0	1.669	77.0
Includes	103.5	112.5	9.0	4.762	226.0
Lach-97-18	181.5	189.0	7.5	1.000	47.0
Lach-97-19	112.5	117.0	4.5	1.367	107.8
Lach-97-20	Pending				
Lach-97-21	Pending				

Mineralization is open to the north of holes 17, 20 and 21. The **San Jose de Gracia** mine is located in this area which was one of the largest producers in the property. Sampling results from this zone gave excellent results. Teck hopes to drill this target in the near future.

#### La Purisima/San Luis

This target area contains 4 underground mines, one moderate sized open pit and abundant smaller prospects. Production from this area is unknown, but is relatively substantial. Mineralization is controlled by a N-NE striking structural zone in calcareous siltstone. The zone of mineralization is ~125 meters in width over an exposed strike length of ~350 meters. Sample results commonly report 0.5 - 1 g/t gold, with unusually elevated base metals and silver.

The San Remigio mine is on a parallel ~ 30 meter wide structure ~200 meters to the NW of Purisima. In addition, reconnaissance mapping and sampling along the road cut ~700 meters NW of Purisima revealed a strongly mineralized zone ~100 meters in width in siltstone near a small dacite intrusive with gold values up to 4.4 g/t.

#### Santa Maria Espinal

This target area contains 4 underground mines and abundant small prospects. Production statistics are unknown but fairly substantial. Mineralization occurs along a major N-NE structural zone in andesite volcanics near a dacite porphyry. This is the same structural system that controls Corazon de Oro 1.5 km to the northeast. Sampling completed to date from surface and the mine workings is very encouraging. The mapped strike length of the system is ~750 meters with a width of ~ 100 meters.

#### **Conclusion**

Northair has acquired a large portion of a major gold district in an area of good infrastructure. The intensity alteration and the definition of abundant zones of gold mineralization is very impressive. Strong silver mineralization has been identified in the northeast portion of the property. Teck's exploration program during their first two years of the Joint Venture has confirmed the district's potential for containing several bulk tonnage gold targets. Five of at least eleven defined target areas have been partially drill tested. Four encountered significant intersections of >1 g/t gold. Northair is pleased to have Teck as a partner. They now consider the Lachatao property to be their primary precious metals exploration projects in Mexico, and are committed to a thorough exploration program.