Province of British Columbia

Ministry of Energy, Mines and Petroleum Resources

ASSESSMENT REPORT TITLE PAGE AND SUMMARY

TYPE OF REPORT/SURVEY(S)	TOTAL COST
Geological	1368.00

AUTHOR(S) Alfred R. Allen SIGNATURE(S) Alfred R. Allen

Progress Report Alfred R. Allen

DATE STATEMENT OF EXPLORATION AND DEVELOPMENT FILED ..... YEAR OF WORK 1987

PROPERTY NAME(S) Key Diversified Metals Property

COMMODITIES PRESENT Au. Pt. Group

B.C. MINERAL INVENTORY NUMBER(S), IF KNOWN

MINING DIVISION Similkameen NTS P 92H/7E

LATITUDE 49° 24'N LONGITUDE 120° 34'W

NAMES and NUMBERS of all mineral tenures in good standing (when work was done) that form the property (Examples, TAX 1-4, FIRE 2 (12 units); PHOENIX (Lot 1706), Mineral Lease M 123, Mining or Certified Mining Lease ML 12 (claims involved))

PL's 18977-19000

OWNER(S)

(1) Key Diversified Metals Corp (2)

MAILING ADDRESS

P.O. Box 313
Maple Ridge, B.C. V2X 7G2

OPERATOR(S) (that is, Company paying for the work)

(1) Key Diversified Metals Corporation (2)

MAILING ADDRESS

SUMMARY GEOLOGY (lithology, age, structure, alteration, mineralization, size, and attitude).

Nicola Group, Argillite andesite, schist, lava, Upper Triassic Princeton Basin Eocene Shale, sandstone andesite and lava, coal seams to the northwest Ultrabasic Complex intrusives, including magnetite, pyroxenite, peridoitie, gabbro, platinum group and gold Coast Range granitic intrusives.

REFERENCES TO PREVIOUS WORK

Included in report, page #12

(over)

TYPE OF WORK IN THIS REPORT	EXTENT OF WORK (IN METRIC UNITS)	ON WHICH CLAIMS	COST APPORTIONED
GEOLOGICAL (scale, area)		PL's 1897-19000	1,368.000
Ground			
Photo			
GEOPHYSICAL (line-kilometres)			
Ground			
Magnetic			
Electromagnetic			
Induced Polarization			
Radiometric			
Seismic			
Other			
Airborne			
GEOCHEMICAL (number of samples analysed for ...)			
Soil			
Silt			
Rock			
Other			
DRILLING (total metres, number of holes, size)			
Core			
Non-core			
RELATED TECHNICAL			
Sampling/assaying			
Petrographic			
Mineralogic			
Metallurgic			
PROSPECTING (scale, area)			
PREPARATORY/PHYSICAL			
Legal surveys (scale, area)			
Topographic (scale, area)			
Photogrammetric (scale, area)			
Line/grid (kilometres)			
Road, local access (kilometres)			
Trench (metres)			
Underground (metres)			
		TOTAL COST	1,368.000

FOR MINISTRY USE ONLY	NAME OF PAC ACCOUNT	DEBIT	CREDIT	REMARKS:
Value work done (from report)				
Value of work approved				
Value claimed (from statement)				
Value credited to PAC account				
Value debited to PAC account				
Accepted Date	Rept No			Information Class

CONTENTS

Part 2 of 2

* * * * * * * * *

PLACER LEASES 18,977 - 19,000
SIMILKAMEEN MINING DIVISION
PRINCETON AREA, B.C.

A. INTRODUCTION

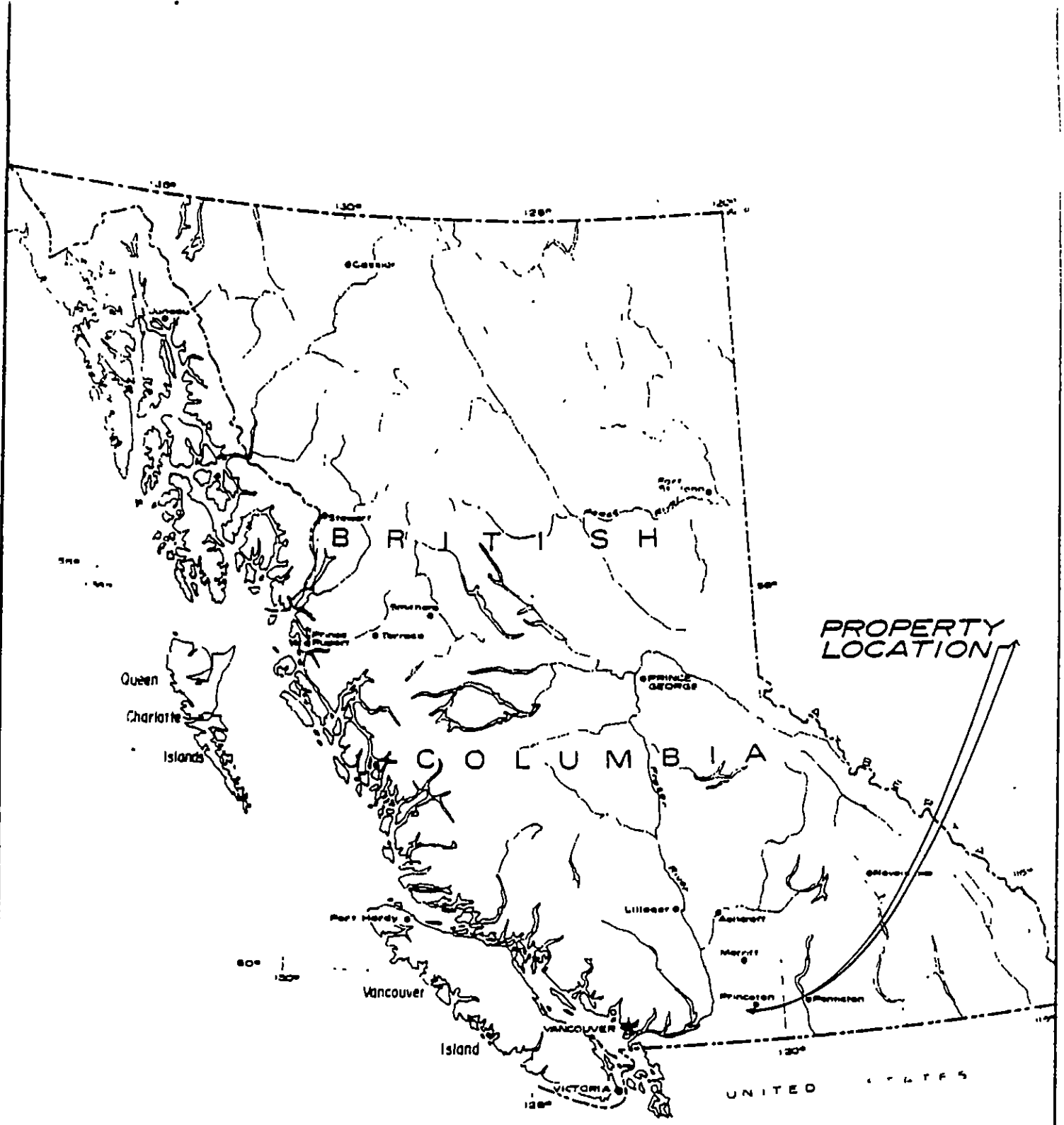
Key Diversified Metals Corporation holds 24 placer leases, 5 kilometers south from Princeton, B.C. in the Similkameen Mining Division.

The property is located south of the confluence of the Tulameen and Similkameen Rivers, both of which have been worked by placer miners since the early discovery of gold, and later platinum, in the 1880's.

The discoveries of gold and platinum in overburden and buried channels in the early 1980's has provided a new incentive and exploration approach for modern placer mining throughout the Princeton Basin.

The writer has been conducting preliminary investigations on the property since 1985 and assisted with a geophysical survey April 7-9, 1987.

This report is based on experience by the writer in the Tulameen area, on both hard rock and placer projects, and Government and private reports, some of which are listed in References.



KEY DIVERSIFIED METALS CORP.

LOCATION MAP

SCALE: 1" = 136 Mls.

Drawn by	Date 6/1987	ALLEN GEOLOGICAL ENGINEERING LTD
Checked by ARA.	Drg no. 1	

ALTAIR drafting services ltd

B. LOCATION AND ACCESSIBILITY

The 24 placer leases are located 5 kilometres south via Highway #3 from Princeton. This is an area within the Princeton Basin of 6 kilometres south by 2 kilometres west, on the west side of the Similkameen River Valley and $1\frac{1}{2}$ kilometres south of the Tulameen Valley.

The northeast corner of the leased area is at N 49^{o}-26' and W 120^{o}-34'.

Access is via Highway #1, 160 kilometres to Hope, and 395 kilometres to Princeton.

C. PROPERTY

The placer leases 18,977 - 19,000 inclusive were issued in June 1985 for a period of 10 years.
The area of the leases is 1,200 hectares or 2,965 acres.

D. PHYSIOGRAPHY

The Princeton area is typical of the Interior Plateau. The sparsely timbered hills with many open grassy slopes are drained by small creeks flowing easterly into the Similkameen River.

The Key Diversified Metals Corporation leases are located in a V-Shaped area between the Tulameen and Similkameen Rivers at elevations ranging from 914 to 1036 metres above sea level.

Bromley Creek heads at 1,525 metres elevation and flows east across the property into the Similkameen River at 716 metres elevation.

Stevenson Creek heads near the west boundary of the property and flows southeasterly through Stevenson and other small lakes southeasterly into the Similkameen River at an elevation of 750 metres above sea level.

Lamont Creek heads at an elevation of 1,300 metres, and joined by Dalby Creek, flows into Whipsaw Creek and the Similkameen River below the south boundary of the property.

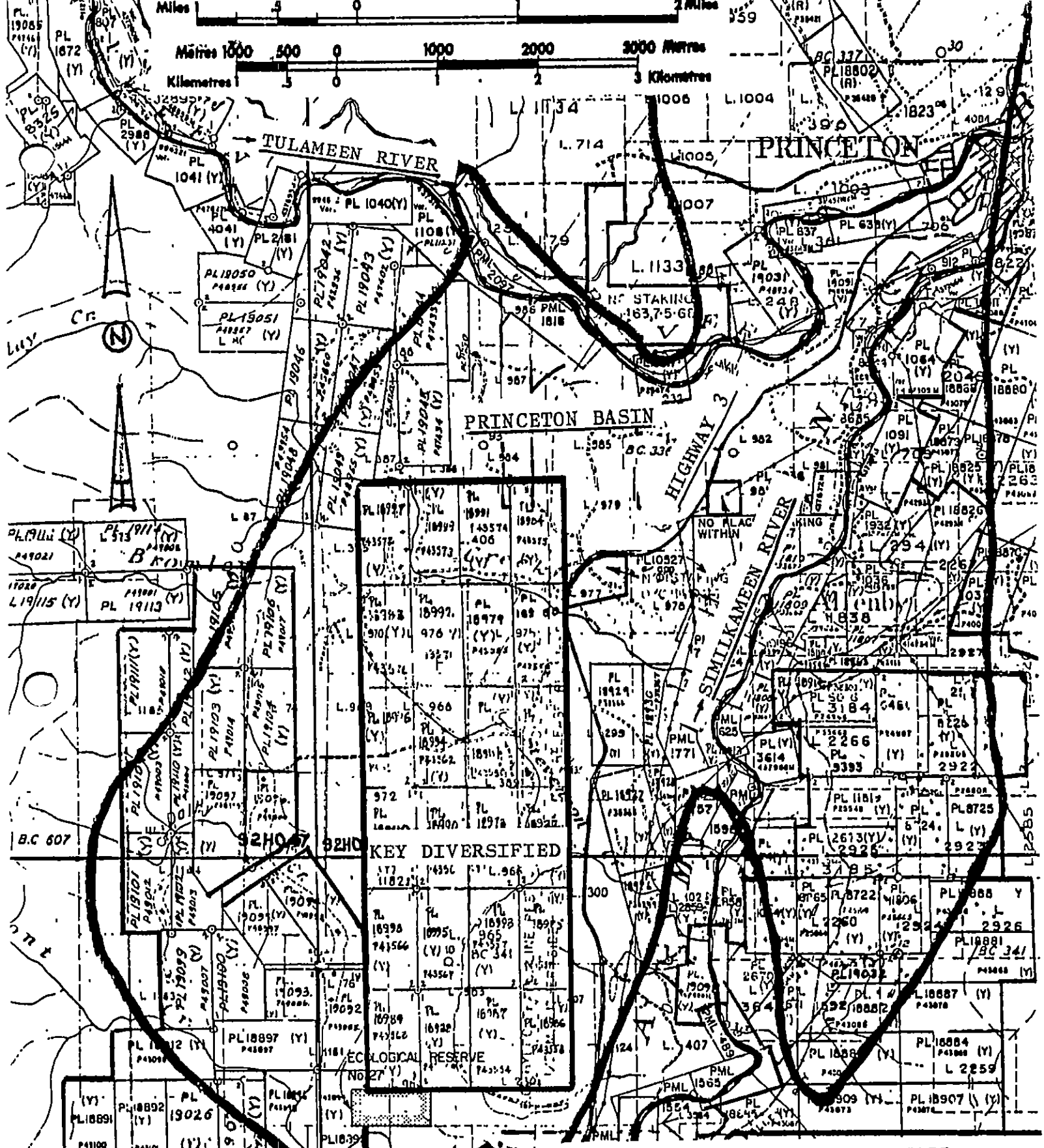
On the southern third of the property, Tracey Lake drains southeast through the property into the Similkameen River.

E. HISTORY OF THE AREA

In 1860 the presence of placer gold had been established in the river gravels and benches of the Similkameen River.

The settlement of Blackfoot housed about 100 white and Chinese miners who worked in the area of Kreuger's bar and Allenby.

Rich gold and platinum discoveries were made on the Tulameen River and Granite Creek. In 1910, Charles Camsell of the Canadian Geological Survey provided a detailed report on the district. Additional studies were provided by Poitevin in 1923 and Raicevic, Cabri and others.



KEY DIVERSIFIED METALS CORP.

SIMILKAMEEN M.D. B.C.

PLACER LEASES 18,977-19,000

PRINCETON BASIN

#2

Oct./87

Allen Geological Eng. Ltd.

Per Alfred R. Allen P.Eng.

In the early 1980's gold and platinum were discovered in overburden on the Rosch ranch, on the east side of the Similkameen River, 1,750 metres east of the Key Diversified Metals Corporation Leases.

Mr. Rosch had built a small concentrator and was recovering gold when his leases and others were acquired by Kettle River Resources and G.F.L. Technologies. These corporations conducted tests on gravel from a series of pits and Wright Engineers Ltd. of Vancouver were employed to provide a report on the property.

The Wright Engineers Ltd. report was completed in 1983. It included field and laboratory studies and costs estimates through to the production stage if further studies warranted. Their report concluded with the following paragraphs:

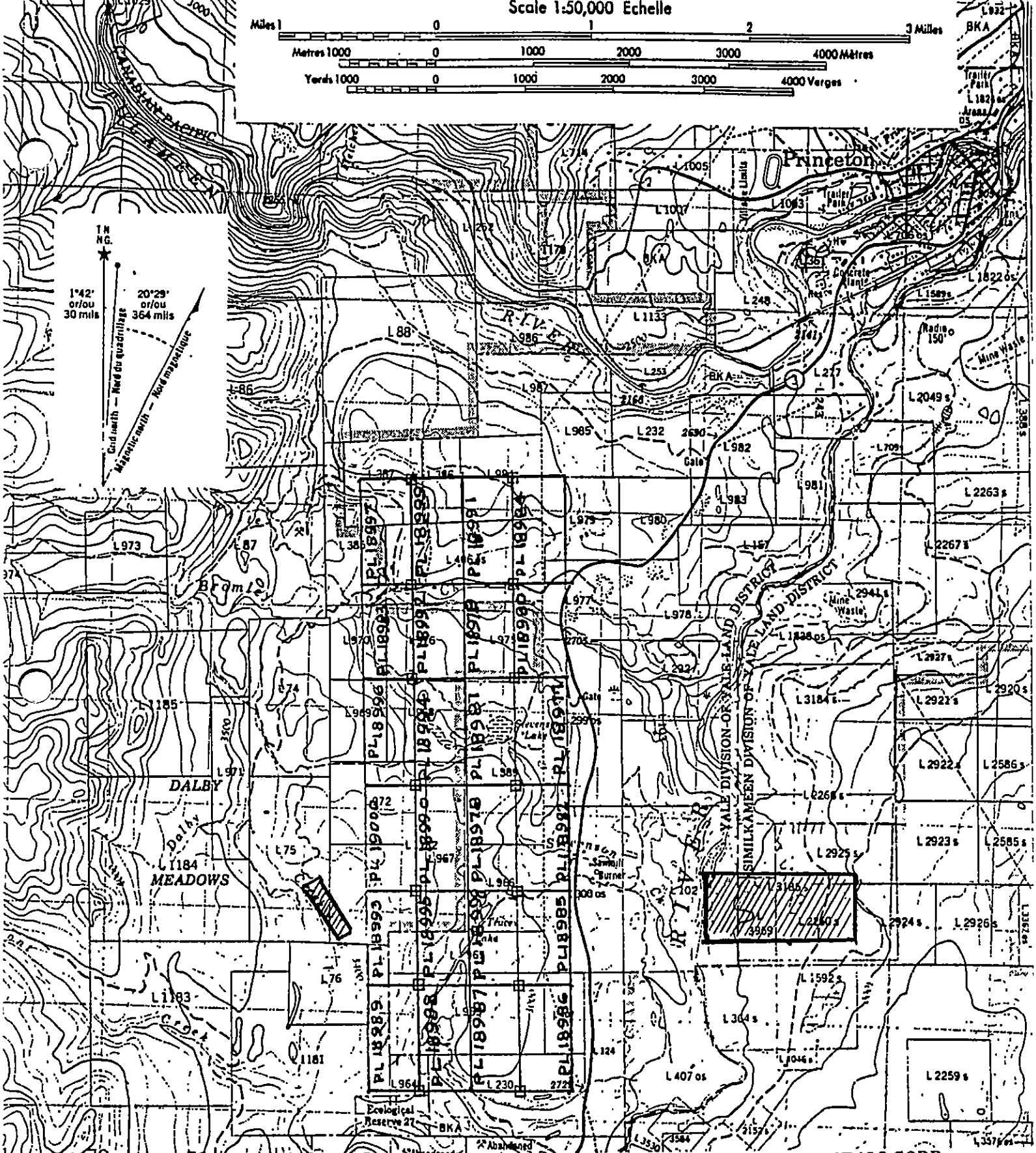
"Summarizing the above, the development programme, culminating in a Feasibility Report, is estimated to cost a total of about $1,675,000. This together with contingencies and outside overheads could bring it to $2,000,000. We believe this is a reasonable expenditure considering the possible potential of the area."

"The potential for ore reserves in the lease area that makes up Eastern Leaseholds block of ground, is very substantial. The surface area of the leases is in the order of 5 million square metres. The alluvial deposit rises from the Similkameen River to a height of 300 to 400 metres. No rock outcrops are apparent except on the north and south extremities of the area. The volume of alluvia therefore is enormous. As to whether the deposit constitutes an economic ore reserve will depend on confirming test work and exploration, but the potential is promising."

West of the Rosch findings, on the Dalby Creek drainage, Blackberry Gold Resources Inc. conducted exploratory investigations on Leases adjacent to the eastern border of Key Diversified Metals Corporation property.

Blackberry reported they had accomplished the following: "line cutting, geological mapping, test pitting, building access roads, hammer drill testing, and extensive geophysical surveying consisting of seismic, ground magnetometer,VLF-EM" through December of 1986.

In 1987 Blackberry Gold Resources Inc. reported as follows: " A recent report by Igna Engineering, I. Borovic ,P.Eng. confirmed that drilling in the Dalby Meadows area has outlined in excess of 820,000 cubic metres of gravel with values of combined gold and platinum ranging from C$1.17 to C$7.22 per cubic metre (US$400 gold; US$489 platinum).
The deposit is a quaternary interglacial channel completely hidden by a thin mantle of overburden. Drill intersections of the gravels range between 4 and 20 metres in thickness."



KEY DIVERSIFIED METALS CORP.
SIMILKAMEEN M.D. B.C.

PLACER LEASES 18,977-19,000

TOPOGRAPHY
Gold & Platinum Discoveries

#3

Oct./87

Allen Geological Eng.Ltd

Per Alfred R. Allen P.Eng

F. GEOLOGY

The Princeton-Tulameen area is underlain by Upper Triassic andesite, basalt, tuff, argillite and limestone of the Upper Nicola Group.
An ultrabasic intrusive complex is exposed from the valley of Granite Creek northwesterly over Lodestone Mountain and across the Tulameen River and Grasshopper Mountain.
It is composed of peridotite, pyroxenite, dunite, chromite, serpentine and gabbro, platinum, platinum group elements and magnetite.

A wide band of Coast Range granitic intrusives outcrops on the west side of the ultrabasic complex. Younger granitic intrusives outcrop north of Tulameen and south of Allenby associated with the Copper Mountain intrusives composed of augite, gabbro diorite and pegmatite.

The Princeton Basin extends from the confluence of Whipsaw Creek and the Similkameen River northerly for 25 kilometres. Included are Miocene or earlier light coloured slate, sandstone, conglomerate and coal seams, underlain by andesite and basalt.

The Princeton Basin is over 7 kilometres wide south of the town of Princeton where the Key Diversified property is located.
A smaller basin is located between Tulameen and Blakeburn, and another 16 kilometres southerly from Whipsaw Creek on the west side of the Similkameen River.

G. THEORY

Significant discoveries of gold and platinum within buried channels and extensive overburden cover have been made within the Princeton Basin on both sides of the Key Diversified Metals Corporation property.

The precious metals have been compared with specimens from the Tulameen River placers. Each are considered to have originated from the gold quartz veins and ultrabasic deposits to the west. Similarly, the magnetic and other heavy metals and minerals appear to have originated from the same sources.

It may be considered therefore, that the Key Diversified Metals Corporation property, extending for 6 kilometres across the indicated erosional trend of this area of the Princeton Basin, is unusually well located for deposition of the above noted heavy metals and minerals.

H. OBJECT OF THE FIELD SURVEY

The limited outcrops on the property are small and composed of Tertiary light-coloured slate and sandstone of the Kamloops Formation. The area is covered with overburden. Evidence of the type of material is limited, but road cuts, hydro lines and creeks indicate that it is uniformly composed of light brown sandy to gravely material with here and there a very fine black silt.

The heavy metal content, with which gold, platinum and other heavy minerals including magnetite have been discovered, would best be detected by a magnetometer survey, which is less costly and time consuming than trenching or drilling.

For this reason the writer recommended a ground magnetometer survey in order to indicate areas warranting priority investigation.

I. GRID SURVEY

The property was divided into three 8-lease areas. Each area, from a central East-West base line was surveyed by hip-chain and compass. North-south lines at 200 metre intervals were established with stations at 25 metre intervals.

The property grid was surveyed November 9-16, 1986.

J. MAGNETOMETER SURVEY

A magnetometer survey was conducted over the property by Mr. A.T. LaRose March 29 - April 3, 1987.

Instrumentation included the portable Scintrex I G S-2 System Control Console, M P 4 Sensor.

Total output data, time, header information, coordinates, gammas and ancilliary data was recorded on a digital print-out sheet.

K. SURVEY RESULTS

To facilitate mapping and interpretation, total gamma readings were converted as follows:

Basic Area	Intensity determined as:	58,470 gammas
Station Recorded	Intensity noted as:	59,920 gammas
Station	Intensity mapped as:	1,450 gammas

Significant magnetic response was detected on Grid #1 and anomalous areas are designated on the accompanying map as A-High and B-Medium.

Area No	Lines	Stations	Gammas	Gamma Spread
A-1	o-2W	6+50N-9+25N	1390-1511	121
A-2	0-2W	9+25N-10+00N	1408-1453	45
B-1	0-12W	4+50N-10+00N	1250-1486	236
B-2	0-6W	2+00N-6+00N	1801-1396	95
B-3	10W-12W	9+75N-10+60N	1304-1442	138
B-4	0-2W	1+75S-2+75S	1239-1363	104
B-5	0	3+25S-4+25S	1303-1327	24
B-6	6W-8W	1+50S-2S	1335-1344	9
B-7	6W-8W	2-3S	1322-1343	21

L. INTERPRETATION

The purpose of the magnetometer survey over Leases 18,977-19,000 was to detect the presence of finely sized and disseminated magnetite within the overburden and/or within narrow ancient stream channels in bedrock.

The classification of results for this specialized survey are therefore limited to the selection of reduced spacing.

Consequently, the calculated results of this magnetometer survey have been designated as:

A - High, calculated as 1,400 gammas plus
B - Medium, calculated as 1,300-1399 gammas
on Map #4 GRID-1

M. SUMMARY

Twenty-four placer leases are held by Key Diversified Metals Corporation 5 kilometres south of Princeton, B.C., on the west side of the Similkameen River.

Since the early 1960's, placer miners have recovered gold and some platinum from the Tulameen and Similkameen Rivers and tributary streams. Prospecting and production was by accepted "hand-methods" of the times.

Gold and platinum have been discovered in overburden and buried stream channels on the east and west sides of the Key Diversified Metals Corporation leases.

The gold and platinum and other minerals in these recent discoveries closely resembles the precious metals of the Tulameen area. It is possible that these metals have been derived from the massive ultrabasic complex of the Tulameen area and transported easterly to be deposited in the Princeton Basin by erosional agencies.

It is concluded that the Key Diversified Metals Corporation placer property is located in a prime area for the occurrence of gold and platinum and therefore warrants a detailed exploration program.

The magnetometer survey conducted over the property has detected anomalous areas on the northern leases that warrant detailed investigations.

N. RECOMMENDATIONS

The following field program is recommended on the anomalous areas indicated on the northern leases of the property.

	Estimated Costs
1. Conduct detailed magnetometer surveys on 50m by 15m grids over areas 1A, 1B and 1C,	$ 8,000.00
2. Conduct seismic tests to determine bedrock depth over selected areas,	8,000.00
3. Conduct a conductivity survey over selected areas to detect granular targets, using Geonics EM-31 instrumentation,	8,000.00
4. Excavate to bedrock to provide detailed information regarding the character and precious metals content of the overburden,	20,000.00
5. Sample and assay for gold and platinum group,	2,000.00
6. Field office, overhead and supervision,	20,000.00
7. Contingencies,	14,000.00
Estimated total costs,	$80,000.00

Respectfully submitted,

ALLEN GEOLOGICAL ENGINEERING LIMITED

Per Alfred R. Allen P.Eng.

Alfred R. Allen

October/87

REFERENCES

Camsell, C.	Geology and Mineral Deposits of the Tulameen District, B.C. G.S.C. Mem26,1910
O'Neill, J.J., & Gunning, H.C.	Platinum and Allied Metal Deposits of Canads, G.S.C., Economic Geology Series No. 13, 1934, pp 89-98
Poitevin, E.,	Platiniforous Rocks from Tulameen Map area, Yale District, British Columbia, and Ural Mountains, Russis G.S.C. Sum.Rept.1923 Pt. A, pp. 84-101.
Rice, H.M.A.,	G.S.C. The Princeton Sheet, Mem243,p 136
Smouse, D.,	Grant Explorations Ltd. Placer Holdings British Columbia January 1980
Pope, W.J.,	U.S. Synthetic Corporation, Orem, Utah Letter Report February 1980
Raicevic, D., & Cabri, L.J.,	Mineralogy and Concentration of Au adn Pt-Bearing Placers from the Tulameen River Area in British Columbia. Dept. of Energy, Mines and Resources, Ottawa - published in CIM Bulletin pp 111-119 June 1976
Wright Engineers Limited	Evaluation of Precious Metal Content in Placer Leases in the Similkameen Mining District April 1983
Allen, A.R.,	Report on Placer Leases, Tulameen Area, November 1980
Smyth, W.R.,	Report The Northern Miner May 12, 1986
Allen, A.R.,	Reports Key Diversified Metals Corp May 1986, Oct.1986, March 1987, June 1987.

* * * * * * * * *

COSTS STATEMENT

Major direct expenditures, excluding staking.

1986

Management fees, R.N. Phillips	$10,450.91
Engineering fees, A.R. Allen	13,524.95
Geophysicist fees, A.T. LaRose	12,000.00
Written Notices and Personal visits to land owners	466.50
Office maps and supplies	692.80

1987 to May 31st

Management fees, R.N. Phillips	5,000.00
Engineering fees, A.R. Allen	3,808.29
Geophysicist fees, A.T. LaRose	2,200.00
	$48,143.45

702 - 2025 Bellevue Avenue
West Vancouver, B.C.
V7V 1B9

CERTIFICATE

I, Alfred R. Allen, certify that:

I am a graduate of the University of British Columbia and hold the following degrees therefrom:

BASc Geological Engineering 1939

MASc Geological Engineering 1941

I am a Life Member of the Association of Professional Engineers of the Province of British Columbia.

I have practised my profession for the past forty years.

I hold no interest in the properties or securities of Key Diversified Metals Corporation or affiliates thereof, nor do I expect to receive any directly or indirectly.

This report is based upon examination of the Key Diversified Metals Corporation placer leases, 18977-19000 on April 7, 8, 9, 1987.

Alfred R. Allen

Alfred R. Allen

October 1987.

702 - 2025 Bellevue Avenue
West Vancouver, B.C. V7V 1B9

(604) 926-4785

October 1987.

British Columbia Securities Commission
Vancouver, B.C.

Dear Sirs:

Re: Key Diversified Metals Corporation

I hereby consent to the use of my report dated Oct. 1987 on the Princeton Placer property of Key Diversified Metals Corporation in the Similkameen Mining Division, British Columbia, in any prospectus or statement of Material Facts or other material to be filed with the British Columbia Securities Commission or the Vancouver Stock Exchange by Key Diversified Metals Corporation.

Yours truly,

Alfred R. Allen P.Eng.

Alfred R. Allen

Allen Geological Engineering Limited
2025 BELLEVUE AVENUE
WEST VANCOUVER, B.C. V7V 1B9

Telephone
604-926-4785

October 1987.

TO WHOM IT MAY CONCERN:

A. T. La Rose is a supervising Geophysical Technician for the British Columbia . Highways.

He has proven his ability as a geophysicist on other field geophysical projects for Allen Geological Engineering Limited.

Mr. La Rose was employed as a geophysical operator for Kerr Addison Mines Limited 1968-1972.

His company is Prospecting Geophysical Services
11914 - 212 Street
Maple Ridge, B.C.
V2X 7x1

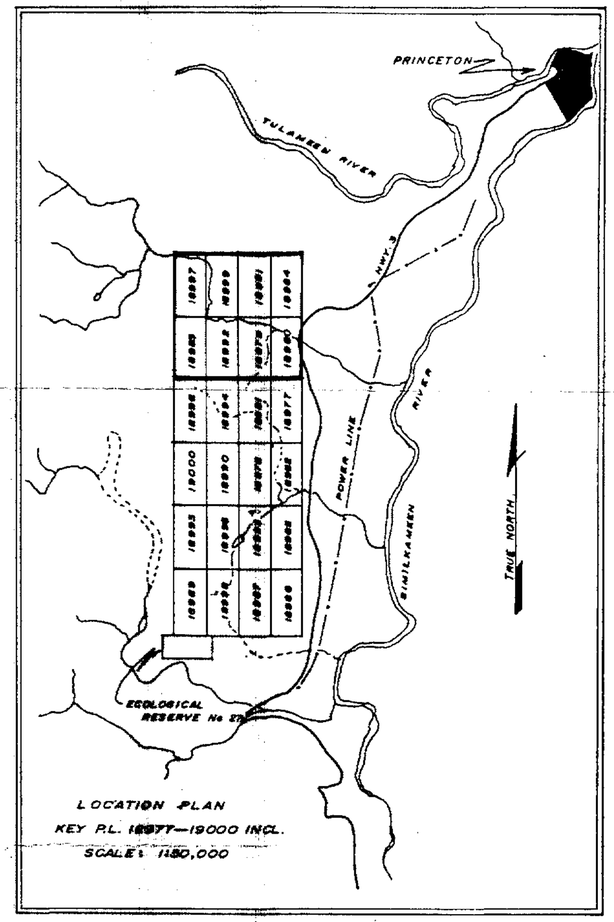
Alfred R. Allen

L 18W | L 16W | L 14W | L 12W | L 10W | L 8W | L 6W | L 4W | L 2W | L 0

BASE LINE

B/L 0+00

1200 1300



LOCATION PLAN
KEY PL. 18977—19000 INCL.
SCALE: 1:80,000

NOTE 1 Reconnaissance survey (le) compass, hipchain and flagged lines only

NOTE 2 Instrument employed SCINTREX IGS-2 MP-4 magnetometer

● CLAIM POST NOTED

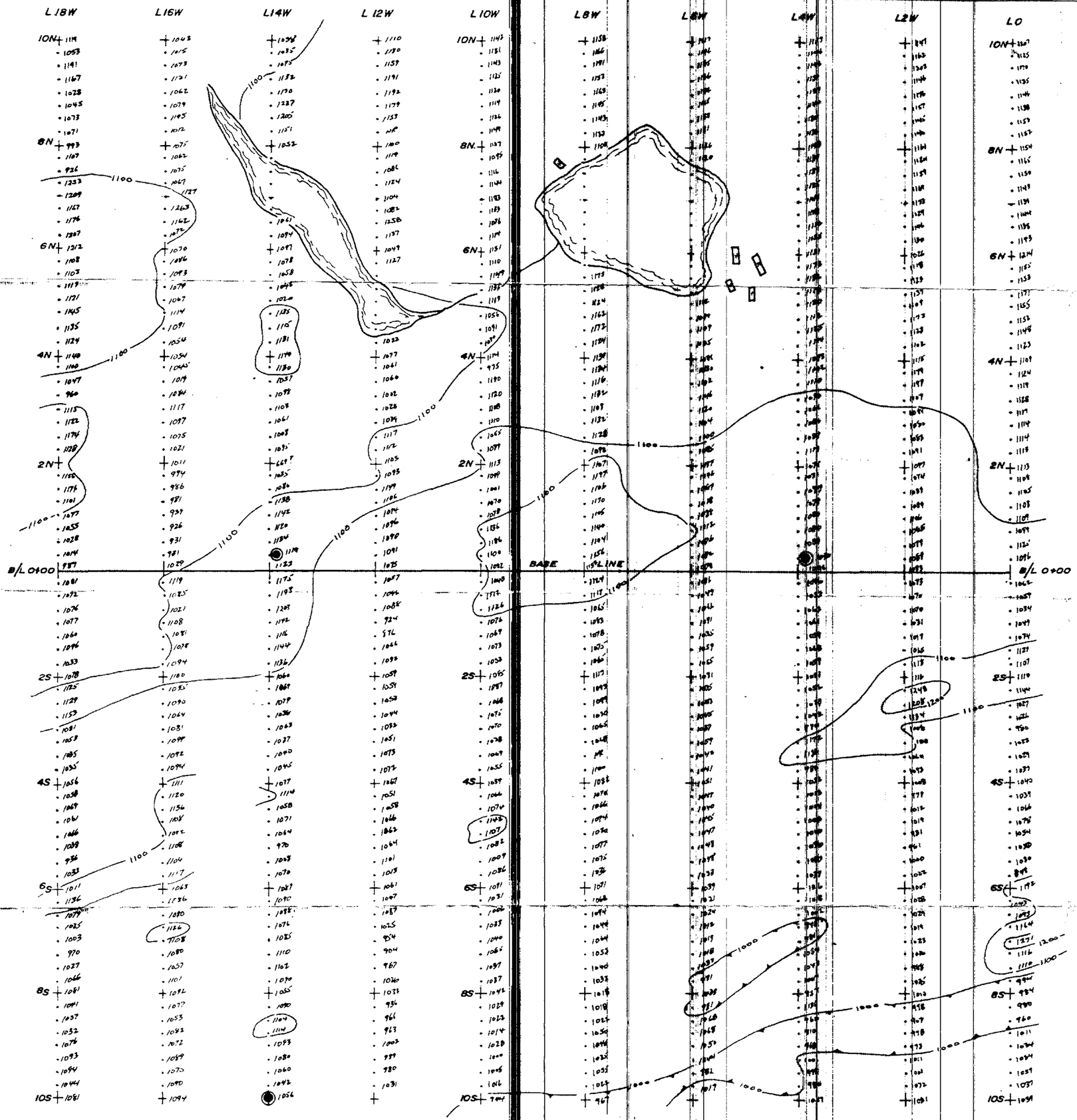
GRID—1

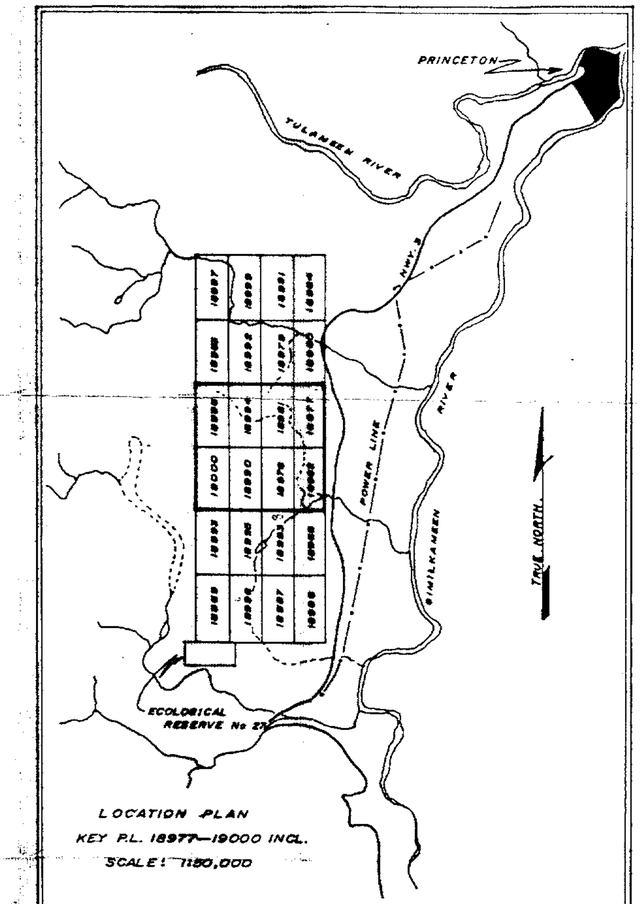
Alfred D. Allen P.ENG.

KEY DIVERSIFIED METALS CORP.
MAGNETOMETER SURVEY
PRINCETON BASIN SIMILKAMEED M.D. B.C.
SCALE 1:4000
100 0 100 200 300 400

17,531
Part 2 of 2

SHEET 1 of 2





NOTE 1 Reconnaissance survey (la) compass, hipchain and flagged lines only

NOTE 2 Instrument employed SCINTREX IGS-2 MP-4 magnetometer

● Claim Post noted

▲ Approx. location of base station for grid no. 2

GRID — 2

Alfred R. Allen P.ENG.

KEY DIVERSIFIED METALS CORP.

MAGNETOMETER SURVEY

PRINCETON BASIN SIMILKAMEED M.D. B.C.

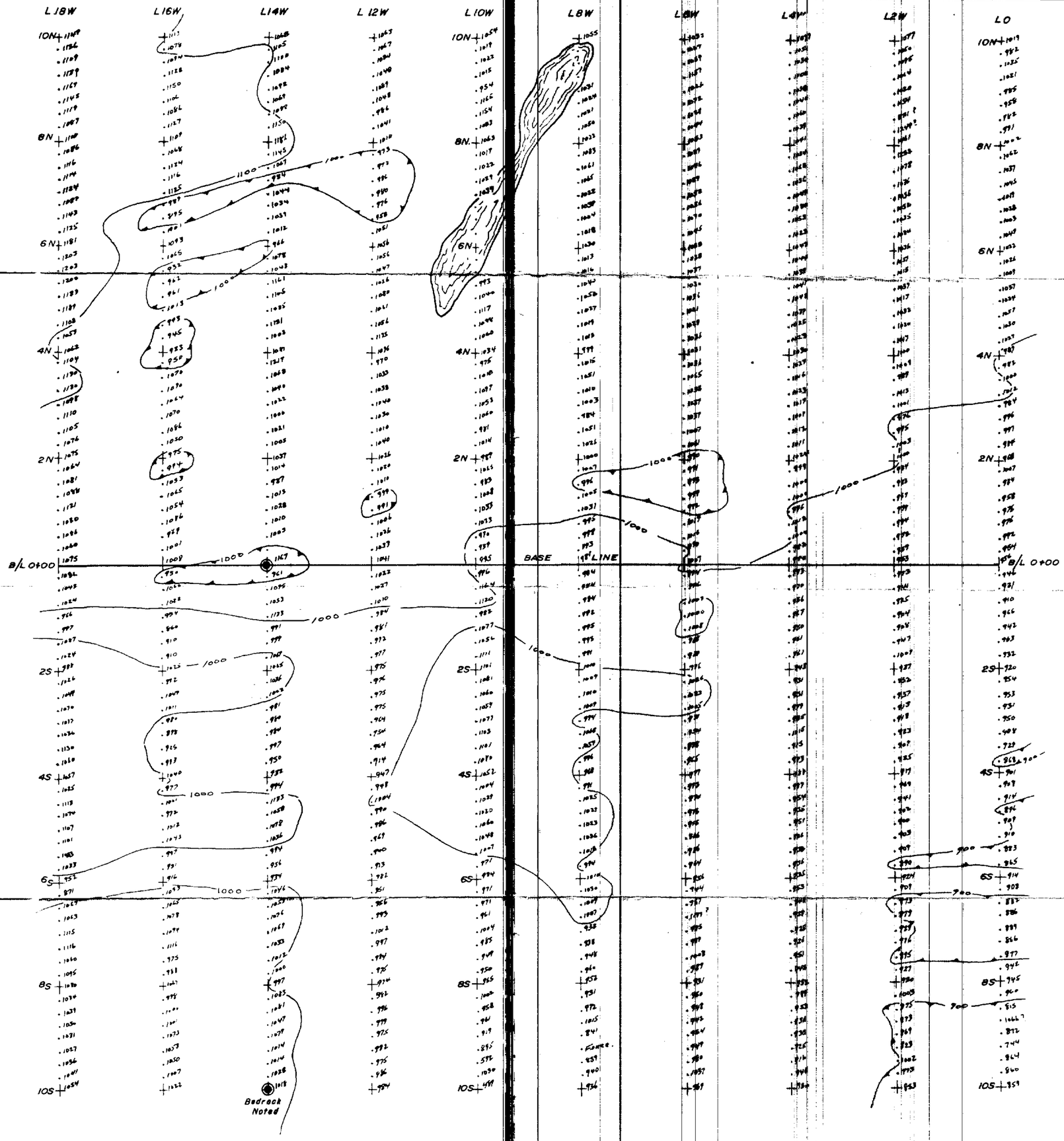
SCALE 1: 4000

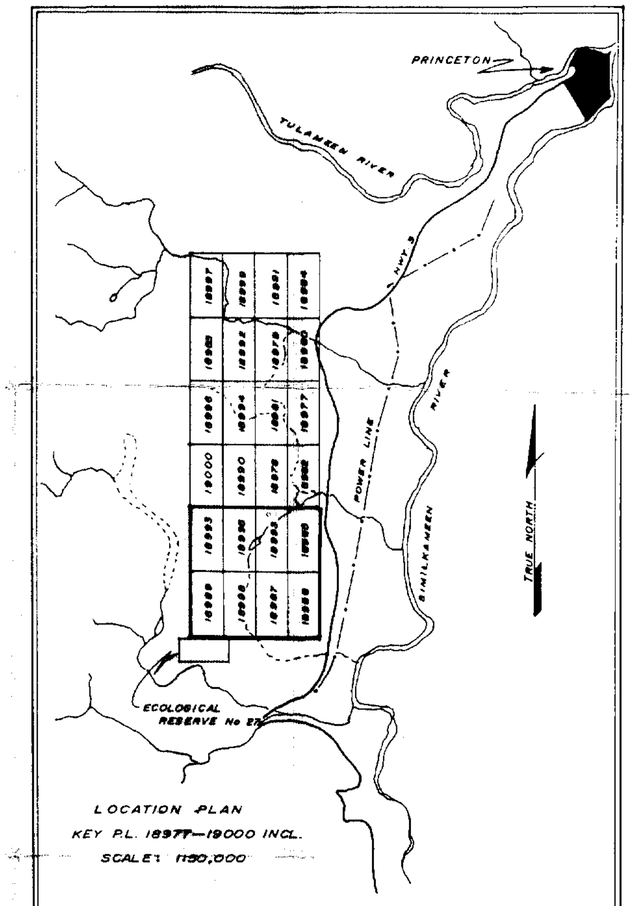
100 0 100 200 300 400

17,531
Part 2 of 2

SHEET 1 of 2

L18W L16W L14W L12W L10W L8W L6W L4W L2W L0





LOCATION PLAN
KEY P.L. 18977–19000 INCL.
SCALE: 1:50,000

NOTE 1 Reconnaissance survey (la) compass, hipchain and flagged lines only

NOTE 2 Instrument employed SCINTREX IGS-2 MP-4 magnetometer

◉ CLAIM POST NOTED

GRID—3

Alfred R. Allen P.ENG.

KEY DIVERSIFIED METALS CORP.
MAGNETOMETER SURVEY
PRINCETON BASIN SIMILKAMEED M.D. B.C.
SCALE 1: 4000
100 0 100 200 300 400

17,531
Part 2 of 2

SHEET 1 of 2