



VOLCANO RESOURCES CORP.

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To: Volcano Resources Corp. shareholders and business associates:

This letter is written to inform you of significant recent developments which have taken place in the Company.

On December 30, 1988 Volcano Resources Corp. signed an option agreement with Pass Lake Resources Ltd. to earn a 51% interest in a 100 unit claim block located in the Galore Creek gold camp. The terms of the agreement are that the Company pay to Pass Lake Resources a cash payment of \$ 10,000, issue 85,000 treasury shares (these shares to be issued as work progresses), and incur exploration expenditures on the property totalling \$ 640,000 over the next three years. Once the Company has earned its interest in the property, Volcano and Pass Lake will share any further development and exploration costs on a 51/49 basis.

The Galore Creek gold camp is located in the centre of British Columbia's most exciting gold belt, which extends at least 300 km from the Stewart camp in the south to the Golden Bear mine in the north. Major developing mines in the belt include Silbak-Premier (Westmin), Sulphurets (Newhawk-Granduc), Doc (Echo Bay - Magna Ventures), Reg (Skyline), Snip (Cominco-Delaware), and Golden Bear (Chevron - North American Metals). Total contained gold in these deposits exceeds five million ounces based on known ore reserves. Several other promising gold-silver properties are at various stages of exploration.

During the 1988 exploration season, several interesting mineral deposits were found and explored in the Galore Creek camp, and it is expected that the 1989 season will see increased activity in the camp.

The Volcano claim block of 100 units (25 sq. km.) lies to the east of the confluence of the Porcupine and Stikine Rivers. The property is underlain by favorable Upper Triassic volcanic and related intrusive rocks, which host many of the important gold-silver deposits found to date in the gold belt. An airborne geophysical survey conducted on a portion of the claim block revealed that there were several anomolous zones which may be indicative of significant sulphide content and structural breaks. Volcano will conduct the 1989 field program with the intention of defining drill targets.

The Directors of the Company are looking forward to an exciting season in this emerging gold camp.

W. Jackson
 President