020739

Nov. 6, 1984

Ian. (CONFIDENTIAL)

I promised Charley Greenfield that I would send this information to you

Ken Cork and Wil Barbour have seen his proposal. Wil is a director of GRL. - and doesn't think much of the warrant proposal.

Charley - I think is a consultant to GRL — is a good friend of Geddes Webster but obviously wants some action.

It would seem he wants to retain Geddes friendship - but his proposal gets a little delicate - when one shows it to Wil B —

Charles Tel No is 298 6622

I'm off to Florida tomorrow morning. Will be back on Nov 22 — in office.

I think we like the property — Ned Goodman has been there on site and evidently found the access less difficult than imagined before the visit.

Regards.

John Hall

One would at some point have to negotiate a better deal with Falconbridge.

KERR ADDISON MINES LIMITED

MEMORANDUM



TO: File

November 27, 1984

FROM: P. Bojtos

SUBJECT: Windy Craggy, B.C.
Geddes Resources

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## COMMENT

This is an exceptionally large cupriferous massive sulphide deposit located in a remote, mountainous area of northwest B.C. If mined, it would be a major mine (i.e. large tpd).

At present, I don't think there is a viable plan for the exploitation of the deposit. Kerr would, therefore, need to have an interest in first developing a viable plan for this "mega project". If such a plan could be developed, then a portion of the sulphide body could be evaluated to determine the economics. Participation in the property could then be discussed. However, 3% Cu + PM's may still not make it.

## GEOLOGY

The deposit is concordant, tabular and steeply dipping. It is 3,000 feet long and 300 feet thick.

Mineral inventory: 85 million tons @ 3% Cu 0.09 % Co.

or

300 million tons @ 1.5% Cu 0.08% Co.

The sulphide body is chiefly composed of pyrite and pyrrhotite with a band within the body containing base and precious metals. These metals are zoned with the base being Zn rich and the top being Au and Ag rich. Copper is distributed throughout this zone. Zn, Ag and Au content increases towards the north (nearer surface) e.g.

Hole 82-12 - the most northerly hole drilled. From NE to SW.

Sulphides encountered 24 m. - 187 m. = 535 feet

average grade = 1.78% Cu.

Includes 53 m. (173 feet) section at 3% Cu.

Of this section - top 40' = 0.58% Zn
2.3 oz/ton Ag
0.04 oz/ton Au

bottom 135' = 1.75% Zn
0.47 oz/ton Ag
0.01 oz/ton Au

Copper grades up to 14% have been encountered in zones of supergene enrichment.

Higher Au mineralization was encountered during drilling in 1983. Three holes, spaced roughly 500 feet apart were drilled in a line from S to N. (I don't know where these are in relation to Hole 82-12).

| | |
|---|---|
| Hole 83-13 | Encountered 0.13 oz/ton Au over 10' |
| Hole 83-14 | Encountered 0.26 oz/ton Au over 200'<br>including 0.47 oz/ton Au over 78' |
| Hole 83-15 | Encountered Au in the 0.05 to 0.1 range. |

The ore is similar to Cyprus Anvil's "buckshot ore". This is a coarse-grained sulphide that mills well.

The property is 40 miles from the Haines-Alaska highway and 70 miles from tidewater as the crow flies.

PB:fk

October 28, 1984

Private and Confidential

Memo to: John Hall from Charles Greenfield

Re: Geddes Resources Limited

Dear John:

Following up on our brief conversation at the golf course in which you expressed interest in the Windy Craggy gold, copper,cobalt property, I would now like to outline a proposal which I feel might be of interest to G.R.L. officers, directors, shareholders and warrant holders and might also be of interest to Noranda and/or Kerr Addison officers and directors.

Without disclosing any internal GRL numbers that have not already been published, it is the writer's contention that the Windy Craggy deposit is probably the only major copper deposit in the free world's economy, operating under the profit motive, that, can contemplate coming into production at todays severely depressed prices for copper (56¢ US or 73¢ CDN) and gold ($340 US or $442 CDN) and compete in the market place with the hard-currency-starved, state-controlled and internationally subsidized copper mines in Chile, Peru, Zaire and Zambia and the Soviet bloc copper mines in the U.S.S.R. and Poland. It is also the writer's contention that when copper returns to say 80¢ US and gold to $390 US major profits will be made from the Windy Craggy deposit.

The above is based on interpretations of drilling in the 1981-82-83 seasons which indicated a core of 40,000,000 metric tons(part of 350,000,000 over-all tons of 1½% copper) of 3.25% copper and .09% co.; and a gold zone estimated at 2,000,000 tons of .32 ozs. based on Drill-Hole #83-14 at the end of the 1983 season which intersected 200 ft. of .32 Au and 1.2% Copper, for a true width of 150 ft. Using a formula often applied by mining engineers to estimate the meaning of such a hole it is not unreasonable to assume the mineralization around the hole to be 2,000,000 tons.

There are approximately 3,000,000 GRL shares outstanding (stripped of C.E.E.) and approximately 880,000 warrants outstanding which give the right to holders to purchase 3,520,000 shares of G.R.L. @ $3.63 until January 31, 1985.

Obviously these warrants are not going to be exercised prior to expiry as it is too late now to earn 1984 Canadian Exploration Expense for shares arising from them. If they did get exercised they would provide $12,770,000 to GRL. Unfortunately GRL shares ($1.20) and GRL warrants (1¢) are listed on the V.S.E. and because of abuses in altering the terms and prices of warrants by others, the V.S.E. will not permit time extensions or exercise price changes on any warrants.

The Company's Vice-President-Mining and two prominent firms of consulting mining engineers are unanimius in their opinions that the Company should now build a 1½ mile tunnel into the orebody and drill from the tunnel to verify the grades and tonnages calculated from the 21 holes drilled in the 1981, 1982 and 1983 drilling seasons particularly the gold zone. Cost estimates by the three engineers vary from $15.5 million to $17.5 million for the tunnel.

cont.....

It is possible at this stage that the GRL officers, directors and shareholders might entertain a take-over bid in terms of shares of a major mining company which would probably provide the calalyst to the warrant holders to exercise their warrants. This is a unique situation where a captive market of holders of multiple warrants exists, and where the company controls 77½% of a major mining property.

Several things would have to happen:
(1) the V.S.E. would have to be approached to see if they would permit and extension of the expiry date of the warrants from January 31, 1985 to May 31, 1985 (4 months). If they refused the shares and warrants should be delisted and listing sought on the Alberta Stock Exchange, providing they would agree with the extension, or failing this, the shares and warrants could be traded O.T.C. Toronto where they are subject to the regulations of the Ontario Securities Commission.

(2) as to warrants, the major mining company would announce its intention to go ahead with building the tunnel commencing July 1985, providing a minimum of 80% of the warrants were exercised by the public for $10 million plus, and their takeover bid for the roughly 3 million GRL shares outstanding at $2.00 per share in terms of their own shares was accepted by 80% of the GRL shareholders.

It is estimated that quite a high percentage of GRL shareholders are also warrant holders. Warrants exercised at $3.63 which earn C.E.E. at 133 1/3% have a net cost to a taxpayer in the 50% bracket of $1.20. He will have seen the presently outstanding shares disappearing off the market into the major mining company's investment portfolio at $2.00 which value will become firmly fixed in his mind and he will look at an imputed profit of 80¢ per share, or 66 2/3%. His C.E.E. shares will however be tied up for up to 12 months while the C.E.E. is being earned but in the meantime he will watch a major tunnelling and drilling program going on on a major property.

Based on the above assumptions the following benefits would accrue to the major mining company: in exchange for $4.8 million of its own shares:

| | Shares | % |
|---|---|---|
| GRL shares acquired through share exchange (80% X 3,000,000) | 2,400,000 | 41.3 |
| Old shareholders (20% of 3,000,000) | 600,000 | 10.3 |
| New shareholders arising from exercise of warrants (80% X 3,520,000) | 2,816,000 | 48.4 |
| | 5,816,000 | 100.0 |
| Cash arising from exercise of 80% warrants | $ 10,221,600 | |

While the major mining company would only control 41.3% at the outset, it would have the opportunity to increase its percentage through putting up the additonal money required for the tunnel.

Not be be overlooked is control of one of the few major sources of cobalt, a strategic metal, in North America.

There are three joint venture gold properties in Eastern Canada on which GRL holds development agreements.

Cont.....

The huge tonnage of Windy Craggy might possibly provide the necessary extra tonnage for building a smelter on the West Coast in conjunction with other properties belonging to the major mining company.

Private and Confidential

Memo to: John Hall from Charles Greenfield

Re: Geddes Resources Limited

NOV 2 1984

Dear John:

This is a follow-up memo to fill in some gaps that I left in my memo of October 28, 1984, and to answer some queries that you raised this morning which arose from that memo.

I actually missed the big punch line in my first memo, which is that the ore in the gold zone appears to lie in the first 2000 ft. of the proposed tunnel. Say, exercising of the warrants by the public brings in $10,000,000 to $12,000,000, to the Company's treasury and it takes $5,000,000 to $6,000,000 to build the tunnel for 2000 ft. and do the drilling from the tunnel to explore the gold zone (and maybe part of the copper zone), then two alternatives present themselves:

If the drilling is successful you have won and you make future decisions in the light of that fact, as to the rest of the tunnel and what other course of action to follow to bring the property into production.

If the drilling is not successful you stop the tunnel at 2,000 ft. with an estimated $5,000,000 to $6,000,000 cash still on hand on which you still have to earn C.E.E. for the subscribers. You might then look at the three gold properties on which G.R.L. holds exploration and development agreements, or anything else that you think is better.

The bottom line is that you have issued $5 million to $6 million worth of say Noranda or Kerr Addison shares, in effect, for the $5 million to $6 million cash that you still have, plus 41% of one of the largest and richest copper-cobalt properties in North America, and the three exploration and development agreements on the three gold properties in Eastern Canada. The 41% can easily be increased to control as outlined in my earlier memo.

With regard to your query about whether or not the warrant holders would exercise their warrants at $3.63 when they end up with a zero cost base, it is my experience that while this is a consideration it is not the main consideration in the mind of the warrant holder contemplating exercising his warrants.

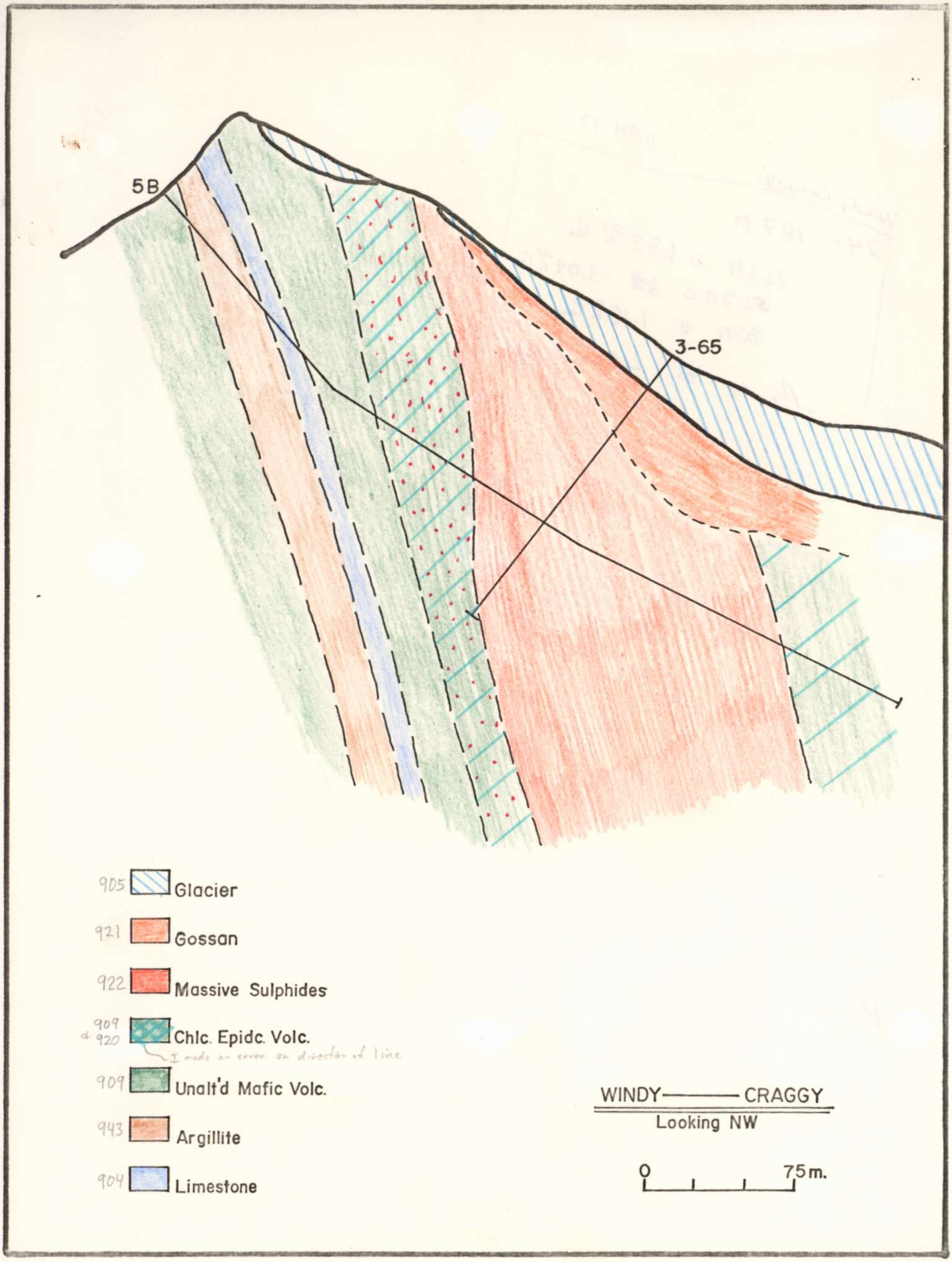
In my opinion the prime motivation is what it has always been - avarice. I spent 18 years as a commission securities salesman, and my experience is that whether it is the trader on the desk at Manulife or the assembler on the line at G.M. they all march to the beat of the same drum because they all want a shot at the big one.

If the drilling is successful on the gold zone they are probably looking at a $10 stock. In this event they don't care about their cost base.

If the drilling is not successful, but they have a big mining company at the helm with $5 million to $6 million cash still left, a major copper-cobalt property and three gold plays, very few will think of selling. I think that facing up to a zero cost base is well down the line in most warrant holders thinking.

cont.....

An overriding consideration that I have in approaching you on the above is that Geddes Webster, Pat Heenan and the small staff be continued in place and allowed to enjoy some of the rewards of what they have strived so hard for.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