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Amai Inlet
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October 6, 1973

MEMORANDUM for approval of the Directors

of H. K. Placer Holdings Ltd.
823 Rogers Building
470 Granville Street
Vancouver, B. C. Canada.

In respect of increasing the capitalization of the Company, in order to further the exploration work on the Company's existing mineral claims and to acquire a working interest in two additional properties.

H. K. Placer Holdings Ltd. was incorporated in the Province of British Columbia in August 1973, with a capitalization of 80,000 shares, of which approximately 45,000 shares have been issued at the par value of $1 (one dollar) per share.

The initial purpose of this Company was to invest in and develop a number of placer gold leases in the Omineca Mining District of British Columbia. This program already has been started, and details are contained in a report submitted by consulting mining engineer Franklin L. Price of Vancouver, excerpts of which are included herein.

Since the incorporation, however, two highly promising additional properties, in both of which the Company has an opportunity to joint venture, have come to my attention. After having investigated these prospects, I now strongly recommend to the directors of H.K.P. that we acquire a 35 per cent interest in a hard rock gold property on Vancouver Island, and up to 50 per cent interest in a potential natural gas and storage development in the B.C. lower mainland.

It is my opinion and recommendation that the Company's present capitalization of 80,000 shares should be increased immediately to 250,000 shares, to allow us to complete next year's work on the placer leases and to participate in the two joint ventures.

OMINECA PROPERTY

The Company has acquired additional leases in this placer area, bringing our present holdings to 14 leases. This is a known placer gold area. Between 1931 and 1940 in excess of 1,100 ounces of gold was taken out of these leases. The work was done by hand mining, and no dredging or large equipment has been used on the property. Work stopped in 1940 due to the war.

From 1947 until 1972 a number of individual prospectors have hand-worked certain areas of these leases and paid the owner a 15 per cent royalty. This enabled the owner to keep the leases in good standing. Due to the fixed price of gold, coupled with the increasingly high costs of labour, however, no serious effort was made to mine these leases during that period.

Mr. Price has been familiar with this property for the last 20 years, and with the owner, and it was on his recommendation that H.K.P. acquired our current interest in it. As our engineer and on our behalf, Mr. Price did some preliminary work this fall to keep these leases in good standing in view of the current price of gold.

He is quite satisfied from the results of this year's work that further exploration is justified. Accordingly, he has recommended that $75,000 be spent on the property during 1974, and that this work be started in May as soon as weather and ground conditions permit.

He proposes that a crew be put on the property to dig pits at 500-foot intervals, and that a Becker drill be put in about early July to follow up the pit work. He then proposes to drill 5,000 feet, which should be sufficient to prove whether putting a dredge on the property would be profitable.

There is no doubt, in Mr. Price's opinion, that there is ample gravel to make a dredging operation feasible, and if the gravel averages as low as 35 cents a yard gold content -- which is extremely conservative -- it would be a profitable operation.

ZEBALLOS PROPERTY.

This is a 14-claim gold and silver bearing hard rock property near Zeballos on Amai Inlet on the west coast of Vancouver Island.

The area became one of the hottest gold camps in North America during the depression years, after a handful of unemployed fishermen struck it rich there in 1936 and triggered a fabulous gold rush. In the next 12 months over 4,000 claims were staked, and by 1945 gold bricks to the value of $11 million and concentrates worth another $2 million had been shipped out. As with other great gold camps, the Zeballos rush died because the cost of mining soared while the price of gold remained static.

Now, with the gold price having made mining feasible again, the industry is going back for a second look. As one consulting engineer said, Zeballos is second look country. Several major companies have acquired property in the area and are doing development work. Among them are Amex, Utah, Noranda, Falconbridge, New Jericho, New Privateer, New Conex, Imperial Oil and Western Mines, as well as individuals.

The property in which I recommend that we joint venture is owned by New Jericho Development Corp. Ltd., a Vancouver-based public company, listed on the Vancouver Stock Exchange.

According to Harvey H. Cohen, P. Eng., New Jericho's consulting engineer, the property is at elevation 1600 feet, less than three miles from tidewater. The claims are in good standing. Assay results from a shear zone bulk sample sent to the Department of Mines ran 4.14 ounces of gold per ton. A base camp has been established and three months of exploration work was done this summer to trace the vein system.

Mr. Cohen reports: "The prominent fault strikes north-south and dips nearly vertically. It has been traced for a distance of about 1,500 feet north. The face of exposure when sampled across six feet assayed between .325 and 1.15 ounces gold per ton. Then 250 pounds of random bulk samples were taken from the exposed shear zone and this assayed from 4.17 to 4.35 ounces per ton. A sample taken from the fresh face at the strongest shear assayed at 9.64 ounces per ton. From selected samples across the face we had values as high as 28 ounces per ton."

The engineer recommends the installation of a 10 tons per day pilot mill which would treat the development rock. This makes sense. The random assay they took to the plant in August was run through. They did a screen analysis to find out what size to use, then poured a button. It worked out to better than four ounces of gold to the ton recoverable. Therefore, the engineer says, a similar plant on site should produce $4,000 gold per day at $100 ounce on rock averaging four ounces, blased from the face during the development stage.

There is ample water at the site from a running creek. Weather conditions permit work throughout the year, and New Jericho plans to begin the development work in early January. Crew cost per day is estimated at $250. It is proposed to use New Jericho's helicopter ($150 per hour because the company owns it) for all transportation to and from the town of Zeballos, 10 air miles distant, on tidewater, thus saving the cost of building roads which is expensive in mountain country.

I strongly recommend we joint venture in this property in line with a letter of intent H.K.P. has received from New Jericho. This calls for us to pay $3,000 by November 30, 1973, and a further $35,000 by December 31, 1973, to acquire a 35 per cent interest in the 14 claims. If additional funds are then required, and if H.K.P. doesn't wish to put in more money, we can recover our investment in full from the mine's first production.

In my opinion this is a very good offer. Mr. Cohen is an experienced engineer and is highly optimistic about this property. He says: "It hasn't been drilled, but the structure is so strong there is no worry. We have close to 4,000 tons on the dump now, and I estimate we have another 10,000 tons within sight on the surface. Geologically, there is no doubt the structure is persistent as indicated by the shear zone plus the vein system plotted to date."

In summation, I would point out that our return from the pilot plants production, assuming it achieves Mr. Cohen's gold output figure, would be about $1,000 per day. This is based on a projected gold return of 40 ounces /day at $100-oz. or $4,000, less $1,000 operating cost (an outside estimate), returning $3,000 profit of which our share would be 35 per cent. Even if it was decided to put half the return back into further ground work, we would have our money back in less than three months.

GAS PROPERTY

This is a 36,820 acre potential natural gas lease which has an excellent possibility of being developed as gas storage for the metropolitan Vancouver area. It is located in southwest British Columbia in the Fraser River municipalities of Matsqui, Langley, and Sumas, some 65 miles east of Vancouver. It dips to within six miles of the U.S. border, which could be important as the storage shortage is even more urgent in the U.S. than in Canada.

The lease is held by Oro Mines Ltd., a Vancouver-based public company, listed on the Vancouver Stock Exchange. The principals of this company do not anticipate finding oil on this lease, but they feel there is a reasonably good chance of discovering natural gas. This is indicated by results of exploration done by others in this area, and by geological reports.

Oro Mines, however, is highly optimistic of discovering gas storage, which is going to be extremely valuable in the heavily industrialized lower mainland of B. C., where the metropolitan population of 1,250,000 is facing a serious gas shortage. While there is a plentiful supply of gas in the northern B. C. gas fields, which start 750 pipeline miles north of Vancouver, the lower mainland is served by only one 36-inch pipe. This cannot adequately provide sufficient gas during peak periods now, and the situation will deteriorate as the demand increases, which it is doing steadily, unless adequate storage is found. So far, there is no such storage. The situation is urgent, and will become more so.

Oro Mines engineer, E.A. Ramsay, P. Eng., has selected three sites for stratgraphic tests. Each test, if drilled to 3,000 feet which is calculated to give good indication of the fasibility for storage capacity, will cost in the order of $64,000 to abandon and $85,000 to complete, he said.

Mr. Ramsay said in his report: "A reservoir covering one square mile, 40 feet thick, with a porosity of 25 per cent, and connate water of 25 per cent, would hold 10 mmcf of gas at 635 psi pressure."

Considerable data is available from published reports, electric logs, and from reports on file at the B. C. Department of Mines and Petroleum Resources in Victoria. The geophysical data, in spite of its inherent limitations, does provide an indication of structure for choosing drilling targets, and there is a good possibility of finding a satisfactory reservoir for the storage of gas, the engineer said.

"Thick sheet sands are present on the permit, and channel sands are possibly present. Sufficient shale is present above and between sands to provide an effective seal if properly located."

I recommend that we joint venture in this project because, although the feasibility is indeterminable at this point, the possibility for finding gas storage of substantial size seems reasonable, and if it is found the returns will be very substantial. A letter of intent from Oro Mines Ltd., which is attached hereto, outlines their proposal with reference to financing our interest in the overall field.

Respectfully,

James G. Allison

JAMES G. ALLISON
Director.