

671657

STEPHEN EXPLORATIONS LTD.

1458 Rupert Street, North Vancouver, B.C. V7L 1G1

Telephone (604) 988-1545

March 30, 1987

Mr. Tom Hasek
Drilcor Industries
17 - 7449 Hume Avenue
Delta, B.C.
V4G 1C3

Dear Tom:

Re: CANNON EXPLORATION LTD.
KALUM PROJECT, TERRACE, B.C.

Cannon Exploration have requested that we carry out a program of geochemistry and diamond drilling to complete the first stage of the exploration work described in their recent prospectus.

We enclose a location map and a proposed layout of the drill holes. At least two of these holes should be possible from the truck deck drilling from the side of the highway. Water will be only 200 to 400 feet away, approximately 100 feet below the drill site. On completion of these first two holes, a third may be located on the west side of the highway, to test a known zone below the highway, and two holes will be in the bush above the highway based on geophysics and geochemistry. A local contractor has been approached to provide a John Deere 450 tractor and we are checking regarding the availability of a winch on that machine. For these upper holes it may be possible to pump from the lake by running the hose through a culvert below the highway.

Jack Savage, Smithers, 847-2554, called to ask whether you would get core boxes from him at \$5.65 per box, \$2.75 per lid, 10% discount on 500 or more.

Contact people in Terrace are: -

Fred Loutitt Phone: 635-5961
4815 Pohle Avenue
Terrace, B.C.
V8G 1J4

Sandy Loutitt Phone 635-4855
Harold Smith Phone 635-6664

I do not have the name of the local contractor, he was contacted by Fred Loutitt.

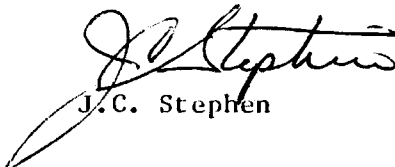
The drilling will be 1500 feet in 5 holes from 200 to 500 feet in depth. Core is to be BQ. Rock types in holes K-1 and K-2 will be largely andesitic volcanics while the others will include volcanics, sericitic altered sediments, quartz sericite schist and younger black, well bedded, argillite. There may be small quartz feldspar dykes and quartz veins. Dip of holes will be 50° or greater except possibly for hole K-1 in which case the dip of the hole will be determined after a transit survey of the site. and hole K-3 where it may be necessary to flatten to 45° depending on where we can collar the hole.

Crew will probably stay in a motel or rented house depending on whether you think we might save money by having a cook as at Sewell Inlet on the Queen Charlottes.

Please give us a cost estimate for the total job. We would like to start drilling April 15 and be finished April 30. The April 30 is the date for completion strongly specified by Cannon. Everything else is fluid.

Best regards,

J.C. Stephen Explorations Ltd.


J.C. Stephen

JCS/ms

ENCL.

COPY

J.C. STEPHEN EXPLORATIONS LTD.
1458 Rupert Street, North Vancouver, B.C. V7J 1G1

Telephone (604) 988-1545

March 30, 1987

Mr. Balbir Johal, President
Cannon Exploration Ltd.
1013 - 837 West Hastings Street
Vancouver, B.C.
V6C 1B6

Dear Mr. Johal:

RE: KALUM PROJECT

A program of soil sampling has just been completed at 25 metre spacings on lines 100 metres apart from 0+00 to 6+00E. In that area, in logging slash, deep snow remains and no further work could be done. Geochemical analysis will take approximately two weeks to complete.

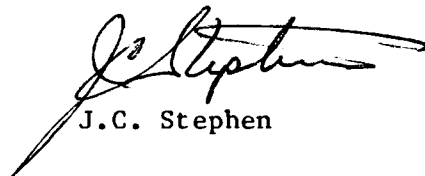
We will have a surveyor on site about April 10 to accurately locate the drill sites in the North Adit and South adit areas. The diamond drilling is being arranged with Drilcor Industries who will have a drill on site April 15 with the intention of having the job completed by April 30. A local contractor is being hired to provide a small tractor to move the drill in the bush area and, if warranted, dig some trenches using a small backhoe.

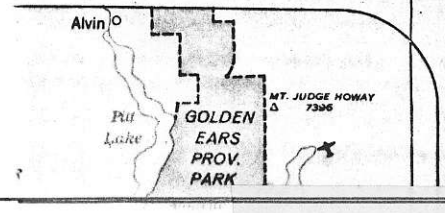
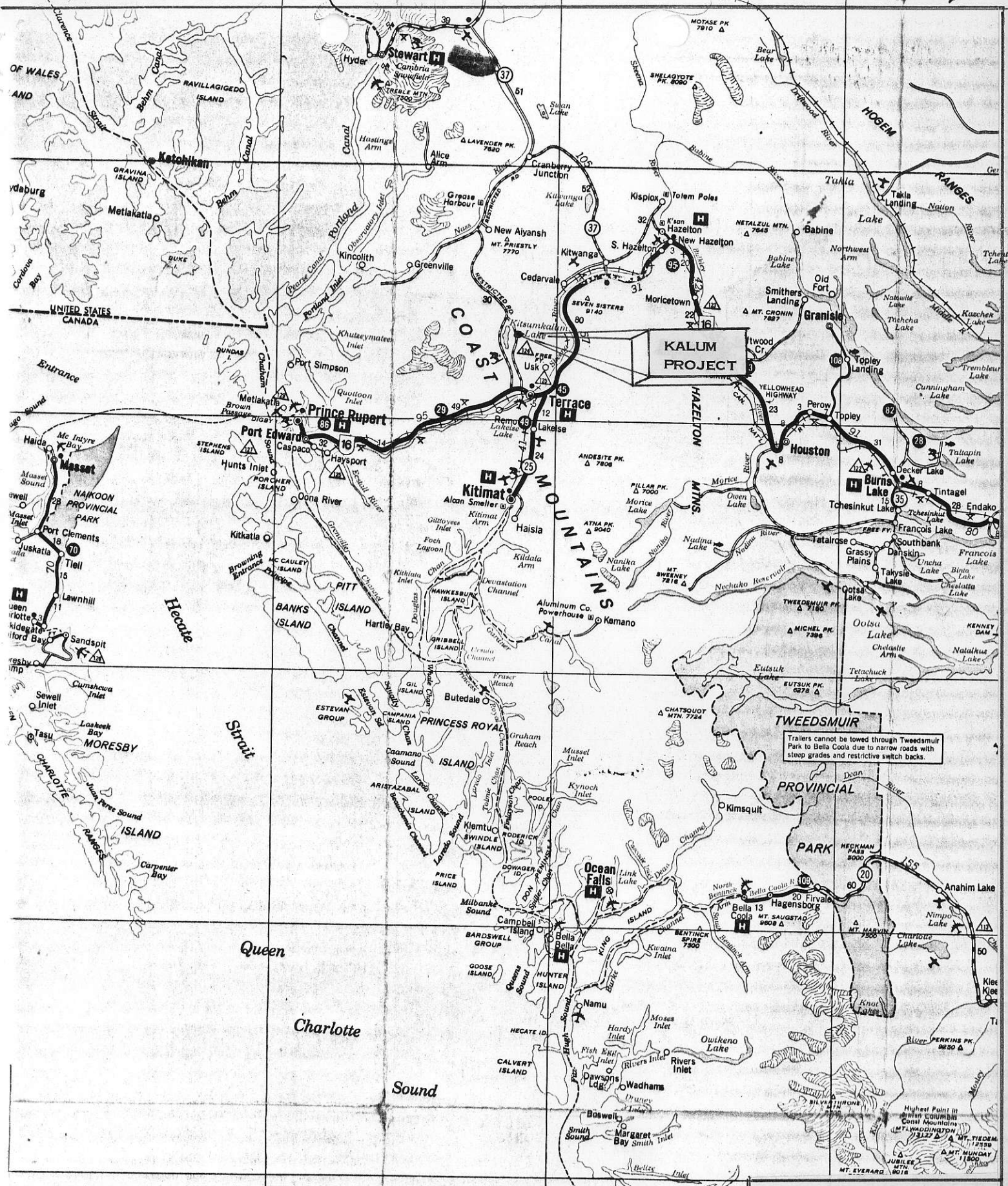
Since an advance payment will be required for mobilization of the drillers and payment for geochemistry will be due at about the same time an interim invoice will be submitted about April 7.

With this letter we enclose a Location Map, a copy of the claim and the proposed drill hole location maps for inclusion with your Notice to Work on this property.

Yours very truly,

J.C. Stephen Explorations Ltd.


J.C. Stephen



CANNON EXPLORATION LTD.
KALUM PROJECT
LOCATION MAP
 1 INCH = 38 MILES

CNR RIGHT OF WAY
MINERAL RESERVE
O/C 2399, 5-R-76
SUBJECT TO CONDITIONS

SECURITY
2757(18)

Douglas Cr.

Wesach Cr.

Roswood
(Sett.)

EXTRA 1
4819 (4)
4N X 5E

K 2
4825 (4)
4N X 4W

K-3
4907 (6)
4N X 5E

KEN 1
31042 (15)
KEN 2
31043 (7)
KALUM 1
3553 (9)

LAKE
3266 (8)

AG #1
5123 (10)
2 1/2 X 3 1/2

KALUM 3
3963 (7)

BRADNER 3
4758 (2)
4N X 6W

BRADNER 4
4759 (2)
4N X 5E

BRADNER 2
4757 (2)
5N X 4W

BRADNER 1
4756 (2)
5N X 5E

TRENCH 1
4398 (4)
5N X 4W
(8 1/2 X 200)

GAP 2
4749 (2) 5N X 4W

BURN 1 4399 (4) 5N X 4W

GAV 3 4823 (11) 5P X 30N

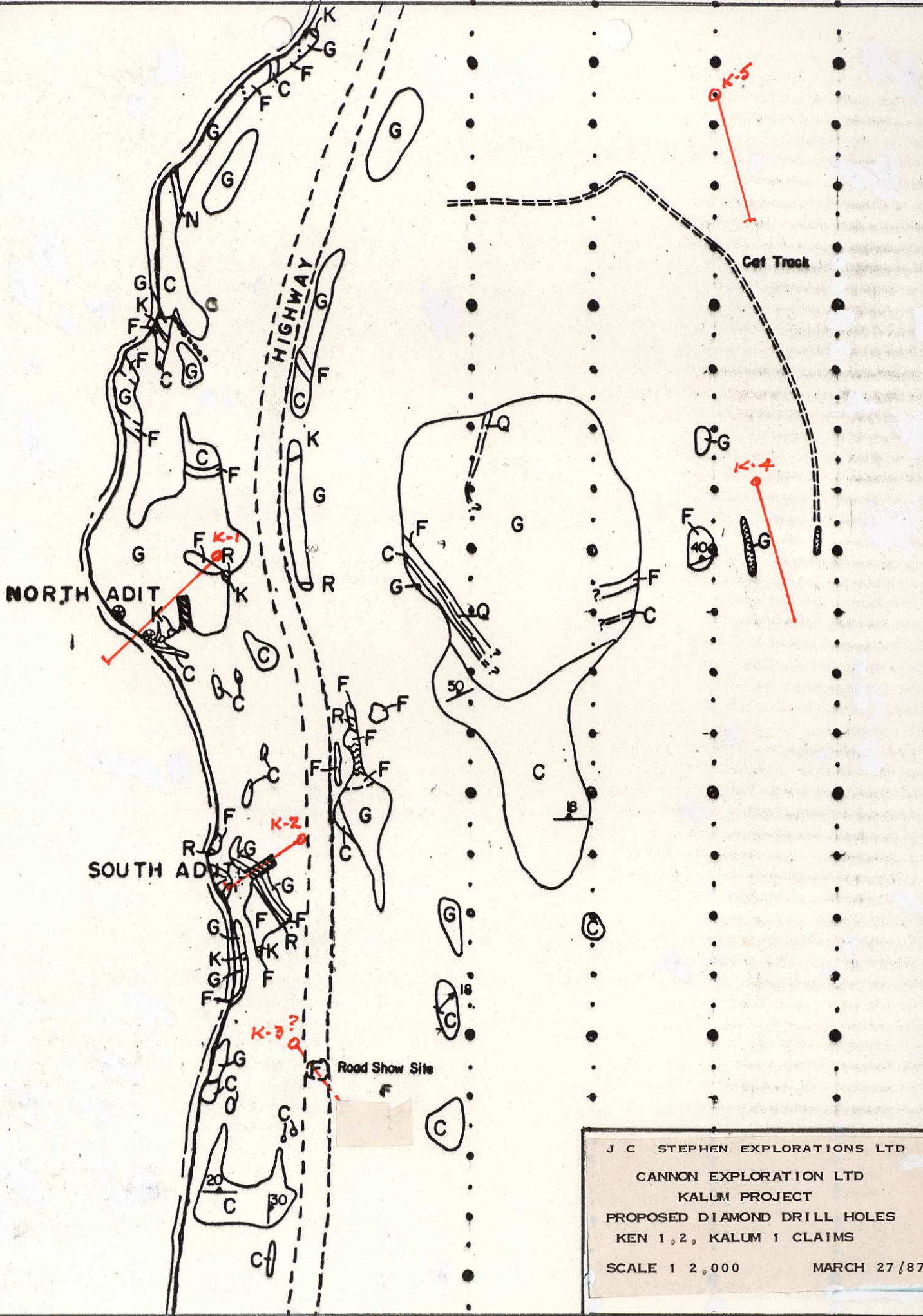
RN 1 3962 (6) 3N X 1/2 E
RN 2 3961 (8) 3N X 1/2 E

CG
LG 380
3962 (11)

CLATM MAP
KALUM CLATM GROUP
NTS 103 I/15E, W
Scale 1:50,000

54°45'

128°45'



J C STEPHEN EXPLORATIONS LTD
 CANNON EXPLORATION LTD
 KALUM PROJECT
 PROPOSED DIAMOND DRILL HOLES
 KEN 1, 2, KALUM 1 CLAIMS
 SCALE 1 2,000 MARCH 27/87