

# HOGEM JOINT VENTURE

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94C/4E

673255

**NAME:** Osi

**DISTRICT:** Omineca Mining District

**LOCATION AND ACCESS:** 150 km. north-northwest of Fort St. James, B.C.

**LAND POSITION:** 118 units.

**TARGET:** Copper-gold porphyry similar to Milligan.

**GEOLOGICAL SETTING:** Situated within the Hogem Batholith; underlain by granite intruded by diorite and syenite plugs. It is close to the Takla volcanic contact.

**HIGHLIGHTS:**

The property covers a very strong magnetic anomaly. Similar magnetic highs are associated with the nearby Lorraine Cu-Au deposits and the BP-Lysander "Cat" prospects.

This is also similar to the magnetic footprint of the Mt. Milligan project where reserves are currently estimated at 385 million tons of .22% Cu and .016 per ton gold.

Silt sampling located several anomalous samples anomalous in copper from two drainages. One copper showing was located from follow-up. Gold analyses were not completed.

**AREA ACTIVITY:**

The BP/Lysander joint venture expects to spend \$1.2 million in 1990 at the CAT project located 20 kilometres due east.

Major General's partner, Varitech, will spend a minimum of \$150,000 at the Tam project during 1990 where the Boundary deposit contains geological reserves of 7.7 million tons of .55% Cu with minor gold.

Kennecott has indicated that they will be further exploring their Lorraine deposits containing 11 million tons of .65% Cu and 0.03 oz. gold per ton.

Cyprus Gold have completed staking programs immediately to the south and west and are actively exploring their properties.

**WORK HISTORY:** Regional prospecting/geochemistry by UMEX in early 1970's provides a database for an advanced surface exploration program.

**1990 PROGRAM:** A drill target delineation program consisting of geological mapping, geochemical sampling and a magnetic survey followed by an IP survey.

**BUDGET:** \$100,000

Sept. 13/90

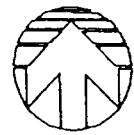
**PROPOSED TRADE TERMS:** Option to earn a 50% interest.  
Net Smelter Return: 2%  
Option Requirements:

<u>YEAR</u>	<u>SHARES</u>	<u>PAYMENTS</u>	<u>EXPENDITURES</u>	<u>INTEREST EARNED</u>
Closing	100,000	25,000		
1		25,000	100,000	
2		25,000	150,000	
3		25,000	200,000	50%
	100,000	\$100,000	\$450,000	

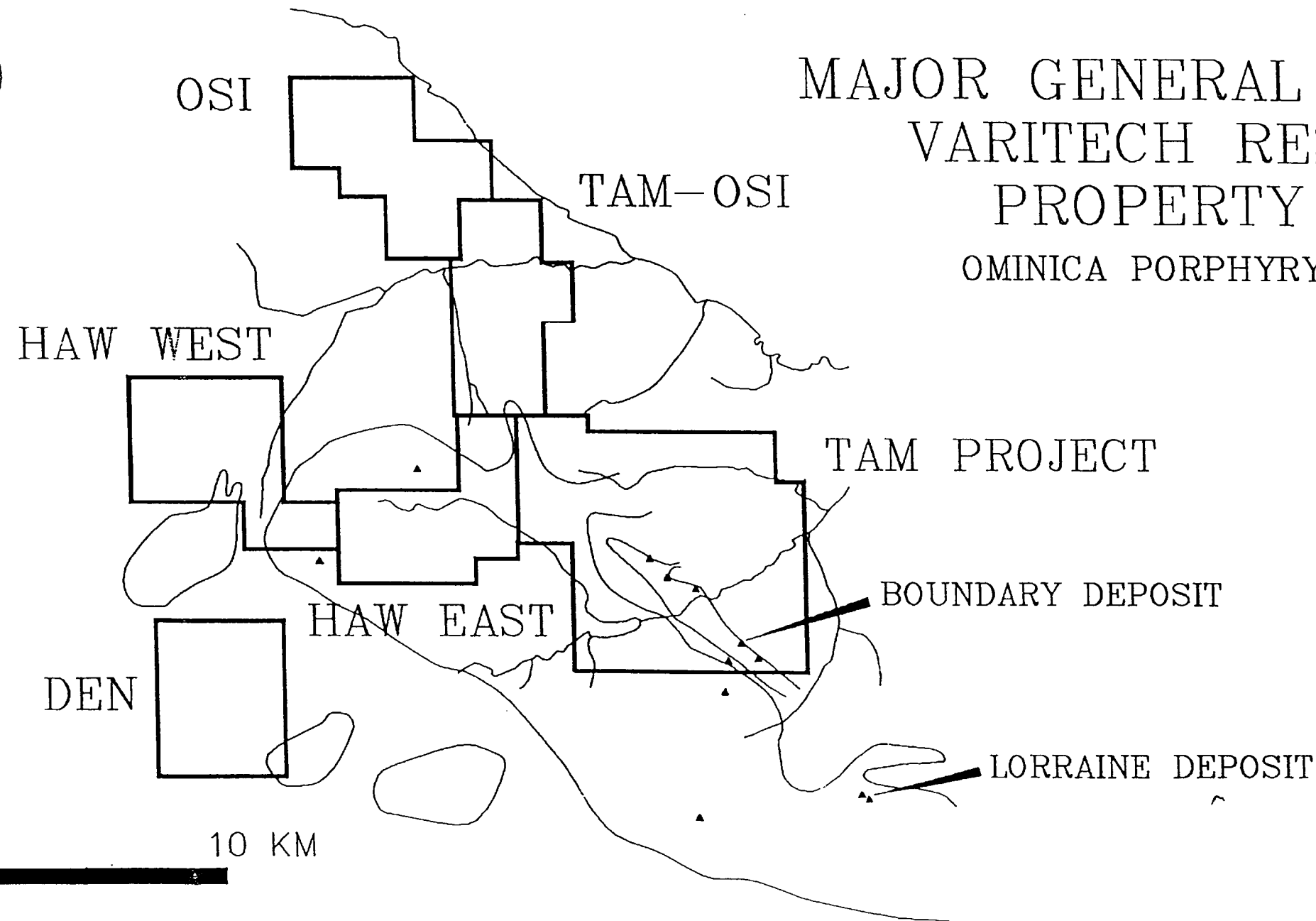
Operator: Major General

**ATTACHMENTS:**

- I. Compilation of Geological, Geochemical, Geophysical and Other Data on the OSI Group of Mineral Claims, Omineca Mining Division, NTS 94C/4E.
- II. Draft Option Agreement



MAJOR GENERAL RESOURCES LTD.  
VARITECH RESOURCES LTD.  
PROPERTY LOCATIONS  
OMINICA PORPHYRY COPPER GOLD BELT



***OSI PROPERTY***

***COMPILATION OF GEOLOGICAL, GEOCHEMICAL, GEOPHYSICAL  
AND OTHER DATA ON THE OSI GROUP OF MINERAL CLAIMS***

***OMINECA MINING DIVISION,***

***NTS 94C/4E***

**Prepared by**

**Fred Chow, Geologist**

**and**

**Bernard H. Kahlert, P.Eng., Geologist**

**October 1990**

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## INTRODUCTION

During the past year or two, mineral exploration has again focussed on large, low-grade porphyry type copper deposits with associated gold/silver mineralization. Based on content values, these deposits may be classified as precious metal deposits with base metal or copper deposits with gold-silver values.

Activities have been focussed on the Hogem Batholith and to the adjoining Takla volcanics on the eastern flank. Much attention has been drawn towards properties which were explored for copper and/or molybdenum mineralization during the late 1960's and early 1970's.

During the above time period, precious metal content was not a large factor in the evaluation of porphyry copper deposits, because both price and gold/silver content were low. Since the increase in price of both copper and gold, these low-grade, large deposits are considerably more economically viable.

Major General Resources acquired the mining properties plus data on other work accumulated by Union Minière Explorations and Mining Corp. Ltd. (UMEX) in their joint venture with Wenner Gren during the nine years from 1969-77.

Major General Resources has teamed up with Varitech Resources to form the Major General - Varitech Joint Venture to further explore the Tam property; also, to acquire by staking mineral claims on targets which have mineral showings, and/or geochemical anomalies, and/or favourable aeromagnetic anomalies. The Joint Venture is focussing their attention on the Duckling Creek Syenite Complex intrusions (*Figures 2 and 7*). A large number of the targets were investigated by the UMEX/Wenner Gren Joint Venture, though some were examined only by recce geochemical sampling and prospecting. Some of the targets were recommended for further follow-up work but not completed.

**MINERAL CLAIMS** (See Figure 1)

The Major General - Varitech Joint Venture has acquired by staking, the following mineral claims, in the upper Osilinka River area within the Omineca Mining Division.

Claim Name	Record No.	No. of Units	Staking Date	Expiry Date
OSI 3	12028	20	June 14/90	June 14/91
OSI 4	12029	20	June 14/90	June 14/91
OSI 5	12030	20	June 14/90	June 14/91
OSI 6	12053	20	Aug. 1/90	Aug. 1/91
OSI 7	12054	12	Aug. 1/90	Aug. 1/91
OSI 10	219620	6	Aug. 1/90	Aug. 1/91
TOTAL UNITS		118	TOTAL AREA	2,450 Ha or 6,051 ac.

**REGIONAL GEOLOGICAL SETTING AND MINERALIZATION** (See Figure 2)

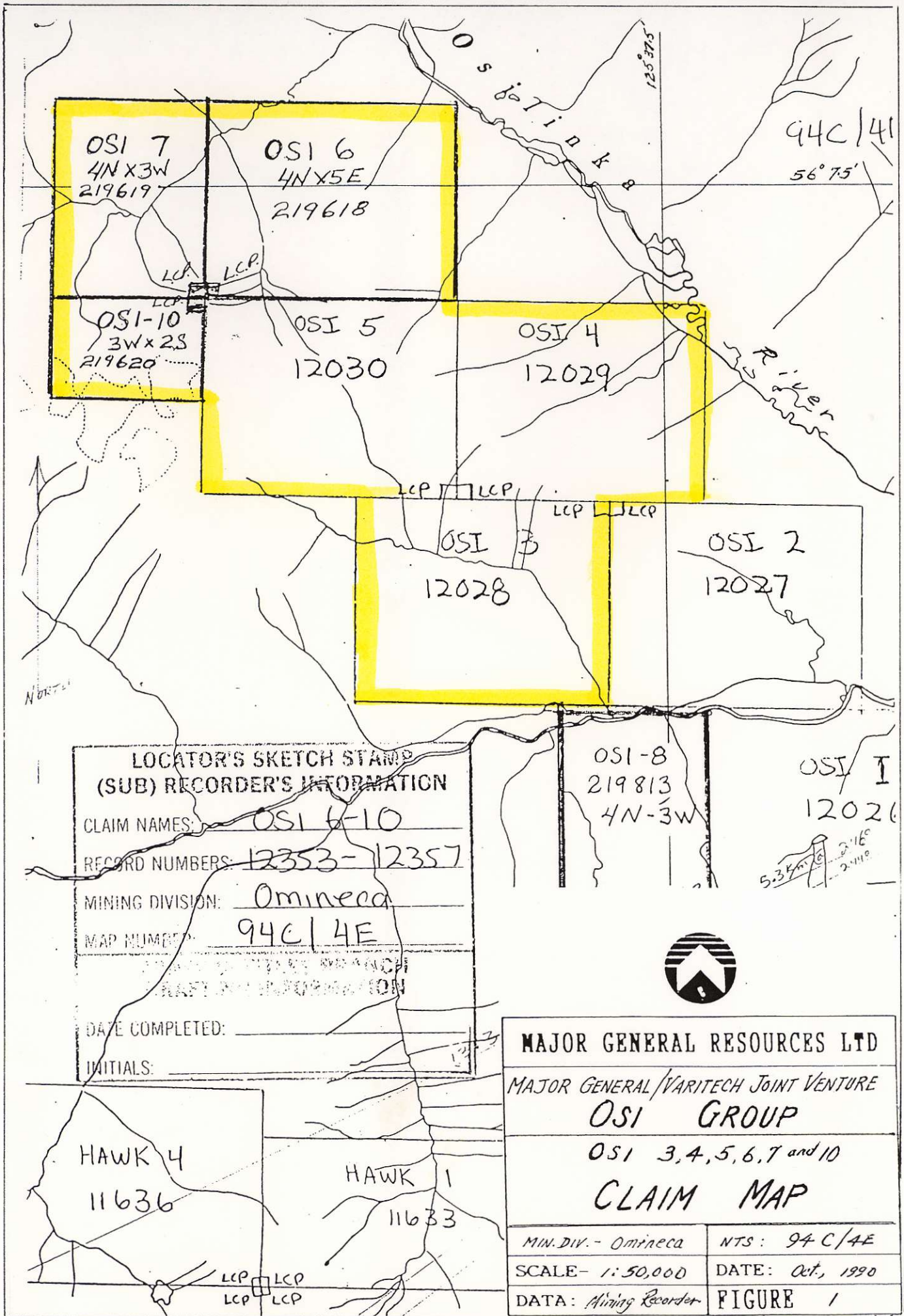
The OSI property is situated within the Hogen Batholith, a large, complex, multiphase body intruding the Takla Volcanics. These volcanics, of basic to intermediate composition, are the main component of the Mesozoic Quesnel Trough which extends from the U.S. border to northwestern British Columbia (*see map over*).

The setting of the OSI property is proximal to a complex body of syenite within granitic rocks of the Hogen Batholith. The syenitic body is named the Duckling Creek Syenite Complex and is located in north-central British Columbia, about 200 kilometres northwest of Prince George, B.C. It is a northwest trending, roughly elliptical body, approximately 5 kilometres by 32 kilometres in size. This Duckling Creek Syenite Complex lies diagonally across the mid-section of the 160 kilometre long northwest trending Hogen Batholith.

The Duckling Creek Syenite of Middle Jurassic age intrudes rocks of the Hogen Batholith alkalic suite, of Lower Jurassic to Upper Triassic age, which is comprised of granodiorite, monzonite, diorite and granite. The rocks of the syenite complex are variable in texture and mafic content but can be divided into two main divisions:

1. Pink holofelsic syenite, mostly coarse grained but varying in texture from aplitic to pegmatitic.
2. Pink to gray, fine to medium grained migmatite, mostly syenitic in composition.





**LOCATOR'S SKETCH STAMP  
(SUB) RECORDER'S INFORMATION**

CLAIM NAMES: OSI 6-10

RECORD NUMBERS: 12353-12357

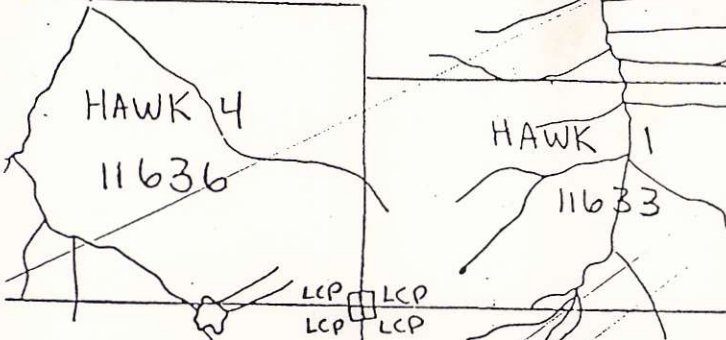
MINING DIVISION: Omineca

MAP NUMBER: 94C/4E

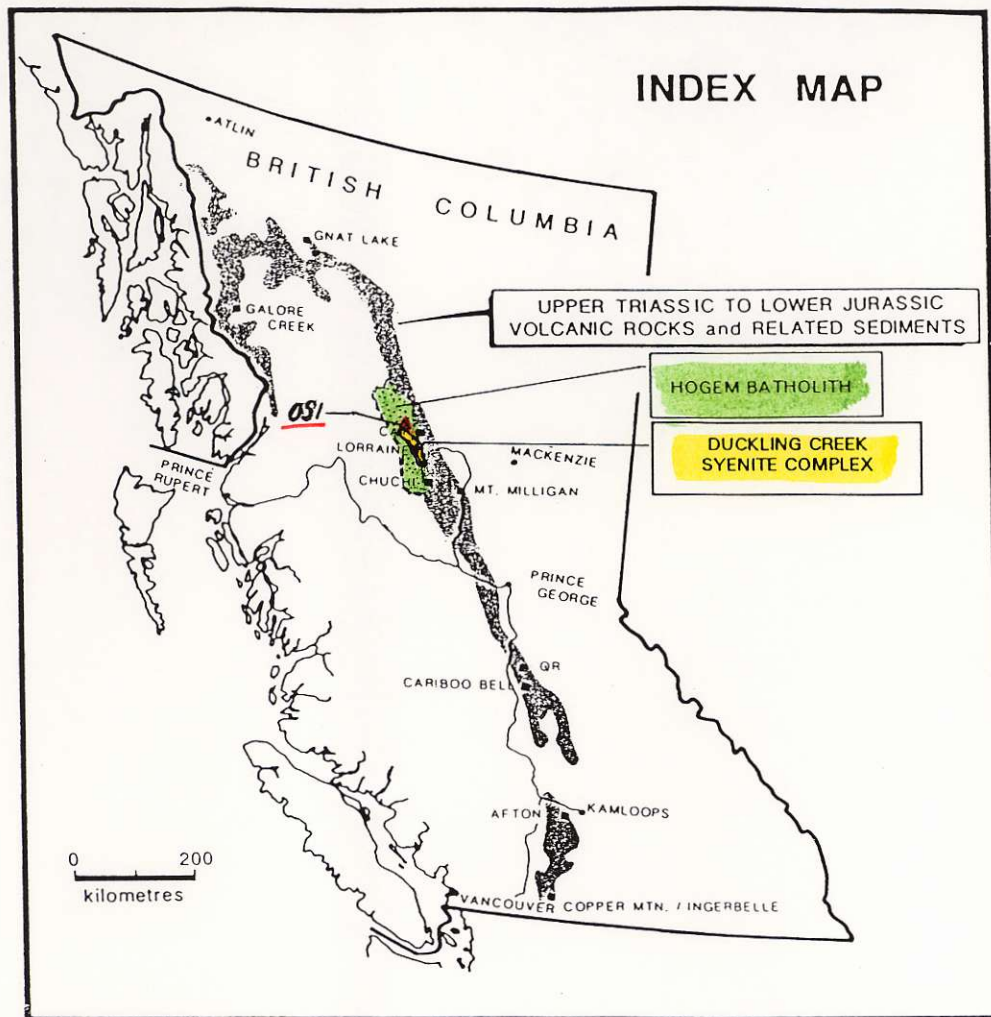
DATE COMPLETED: \_\_\_\_\_

INITIALS: \_\_\_\_\_

<b>MAJOR GENERAL RESOURCES LTD</b>	
MAJOR GENERAL/VARITECH JOINT VENTURE	
<b>OSI GROUP</b>	
OSI 3, 4, 5, 6, 7 and 10	
<b>CLAIM MAP</b>	
MIN. DIV. - <u>Omineca</u>	NTS: <u>94C/4E</u>
SCALE - <u>1:50,000</u>	DATE: <u>Oct., 1990</u>
DATA: <u>Mining Recorder</u>	FIGURE <u>1</u>







MAJOR GENERAL RESOURCES LTD	
MAJOR GENERAL - VARITECH JOINT VENTURE	
<i>OSI GROUP</i>	
<i>REGIONAL GEOLOGICAL SETTING</i>	
SCALE-	DATE: <i>Oct.</i> , 1990
DATA:	FIGURE 2

Mineralization, consisting of copper and minor amounts of gold and silver, occurs in the migmatite. Minerals in decreasing order of abundance are: magnetite, hematite, pyrite, chalcopyrite, bornite, chalcocite and very minor galena. These minerals are disseminated along foliae in the migmatite and along small fractures. Potash feldspathization, seritization and chloritization are found throughout the Duckling Creek Syenite. Biotite is prominently associated with the copper mineralization.

Ubiquitous minor copper showings are also found in the non-syenitic migmatite units of the Duckling Creek Complex which includes coarse and medium grained syenite, syenite-pegmatite, pegmatitic to aplitic syenite dykes and hybrid rocks of a syenite-monzonite composition.

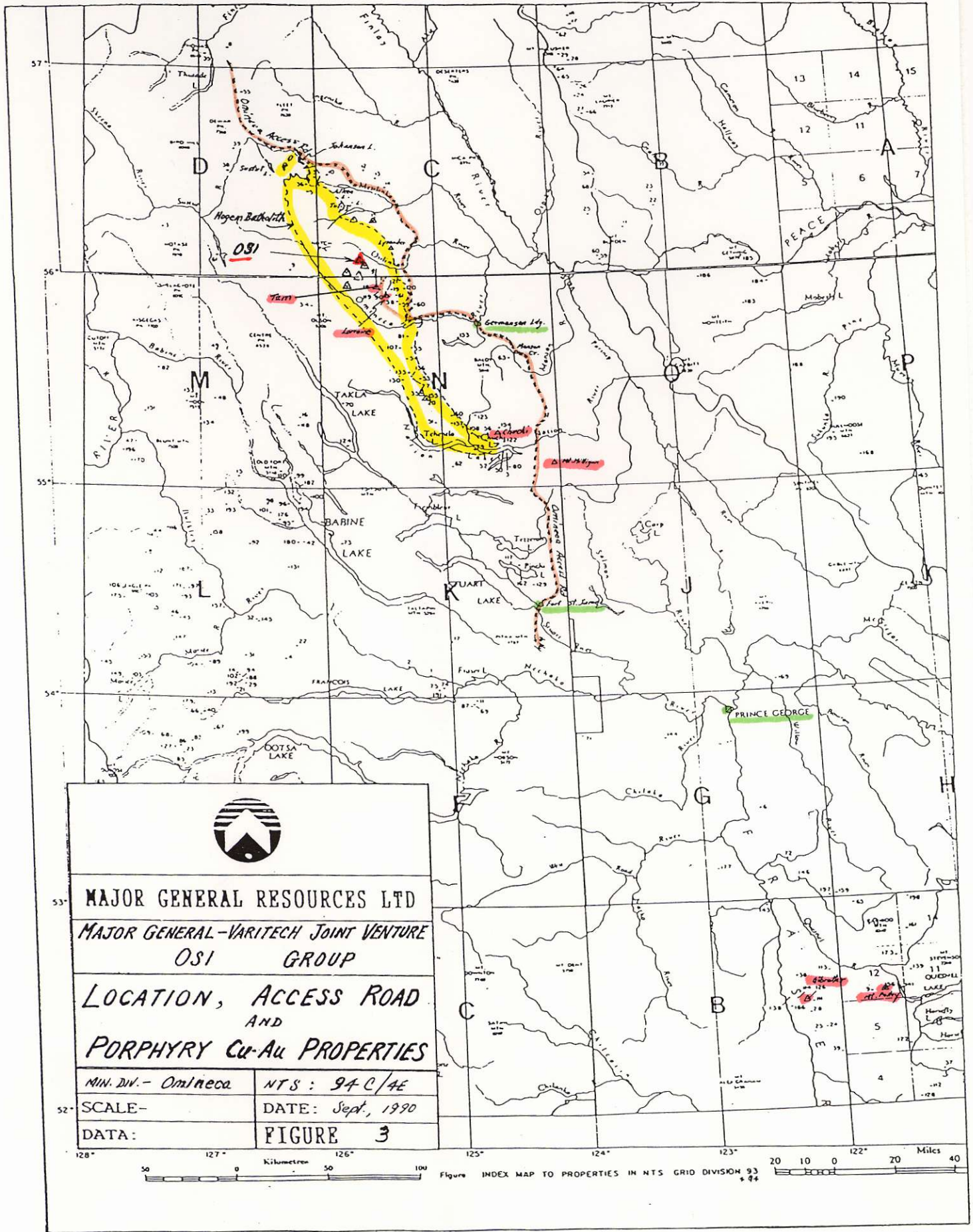
### **PORPHYRY COPPER/GOLD DEPOSITS IN THE REGION** *(See Figure 3)*


Many large and well known porphyry Cu/Au deposits have been found, developed and mined within Quesnel Trough. At present, a large number of these deposits are being explored.

The southernmost deposit is Copper Mountain which was in production for several decades. At present, in production is Similkameen Copper near Princeton and Afton near Kamloops. Being planned for production is the Mt. Polley Cu/Au deposit, east of Williams Lake, with published geological reserves of 105 million tonnes at a grade of 0.34% Cu and 0.471 g/t Au (0.013 oz/t). Also being planned for production are the Mt. Milligan Au/Cu deposits, situated 80 kilometres northeast of Fort St. James, which contain published drill indicated reserves of 384 million tons of 0.016 oz/t Au and 0.22% Cu. Placer Dome have recently purchased over 95% equity interest in this deposit. The most well known porphyry Cu/Au deposit within the Stikine Terrane is the Galore Creek deposit situated approximately 90 kilometres south southeast of Telegraph Creek in northwestern B.C., with published, drill-indicated reserves of 125 million tons grading 1.06% Cu and 0.012 oz/t gold.

Smaller, but significant reserves are established in the Omineca Ranges near the OSI property, with the Lorraine deposits (2) containing 11 million tons grading 0.6% Cu and 0.006 oz/T Au, and the Tam property Boundary Deposit with 7 million tons grading 0.55% Cu with minor gold and silver credits.

In the immediate area of the Major General - Varitech Joint Venture projects, exploration work is being conducted by Cyprus Gold on the Hawk claims located south of the south fork of the Osilinka River. Cyprus Gold is also doing work on the Steele claims located within the northern tributaries of Duckling Creek and southeast of the Tam property on HaHa Creek.





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**MAJOR GENERAL-VARITECH JOINT VENTURE**  
**OSI GROUP**

**LOCATION, ACCESS ROAD**  
**AND**  
**PORPHYRY Cu-Au PROPERTIES**

MIN. DIV. - Omineca	NTS: 94C/4E
SCALE-	DATE: Sept, 1990
DATA:	FIGURE 3

128°      127°      126°      125°      124°      123°      122°      121°      120°      119°      118°      117°      116°      115°      114°      113°      112°      111°      110°      109°      108°      107°      106°      105°      104°      103°      102°      101°      100°      99°      98°      97°      96°      95°      94°      93°      92°      91°      90°      89°      88°      87°      86°      85°      84°      83°      82°      81°      80°      79°      78°      77°      76°      75°      74°      73°      72°      71°      70°      69°      68°      67°      66°      65°      64°      63°      62°      61°      60°      59°      58°      57°      56°      55°      54°      53°      52°

50      0      50      100      Kilometres      20      10      0      20      40      Miles

Figure INDEX MAP TO PROPERTIES IN NTS GRID DIVISION 93 & 94



## **OSI MINERAL CLAIMS**

### **Property, Location and Access (See Figures 3 and 4)**

The Major General - Varitech Joint Venture has acquired by staking six mineral claims, totalling 118 units, within the Omineca Mining Division, in map area 94C/4E.

The OSI mineral claims are situated on the south side of the upper reaches of the Osilinka River, at map coordinates 56°08' latitude and 125°41' longitude.

Good logging roads, leading from the Omineca access road, have been built along Osilinka River and upstream of Haha Creek. At present, both roads are about 10-13 kilometres from the property. Future extension of the logging road up the south fork of Osilinka River would provide direct road access to the property. At present, access to the property is via helicopter, and is available during the summer period from Canadian Helicopters based at Silver Creek about 50 kilometres southeast.

### **Property Geology and Mineralization (See Figure 5)**

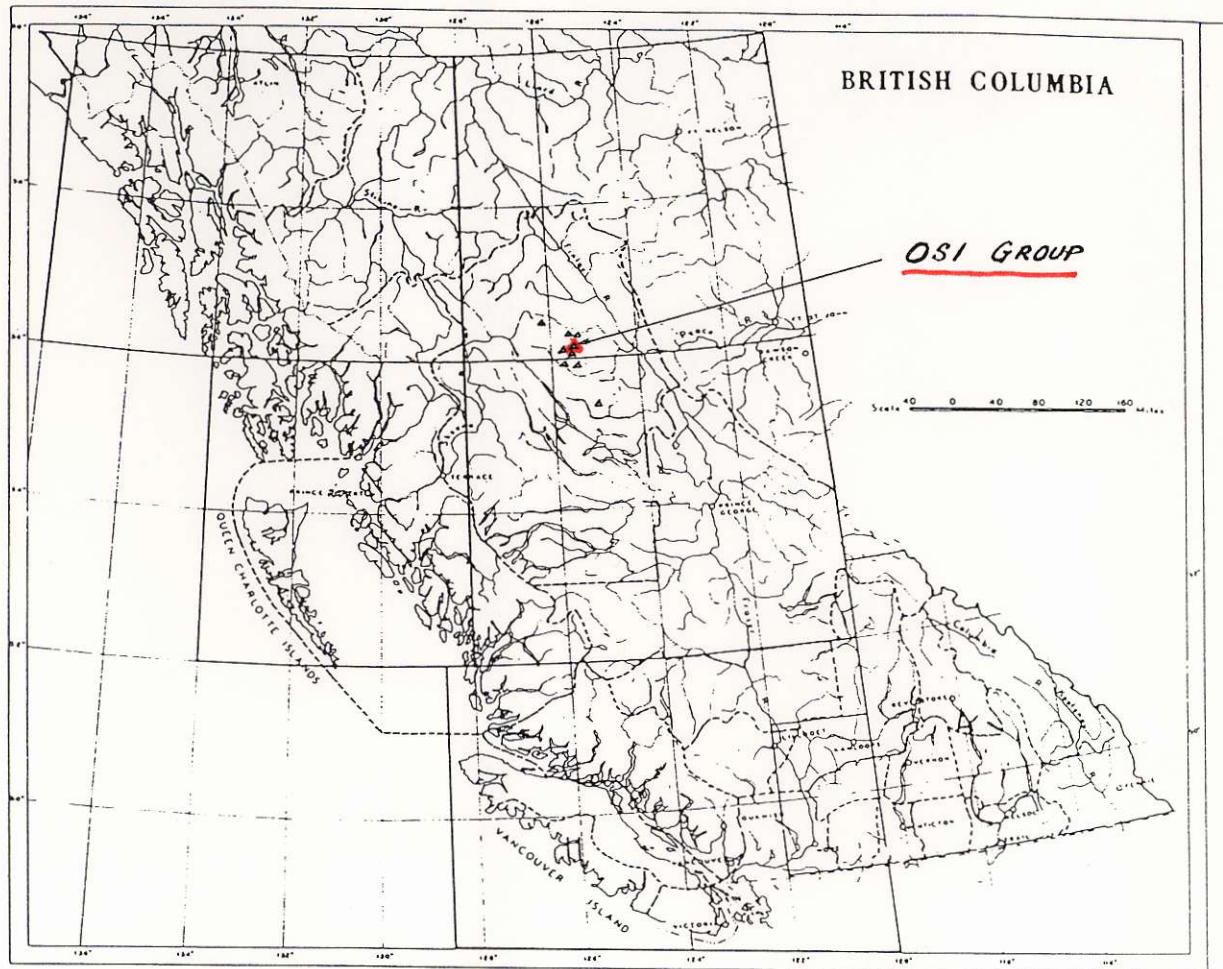
The only mapped rocks indicate that undifferentiated granitic rocks of the Hogem Batholith underlie the property. No detailed mapping of the local geology has been undertaken.

An outcrop of basic rocks was located south of the Osilinka River, by the UMEX field crew doing recce work in 1969, on ground now occupied by OSI 6 M.C. A showing of copper mineralization was recorded near the height of land on ground now occupied by OSI 5 M.C. This showing is located at the centre of an aeromagnetic anomaly (see Figure 5).

### **Geophysics (See Figures 5 and 7)**

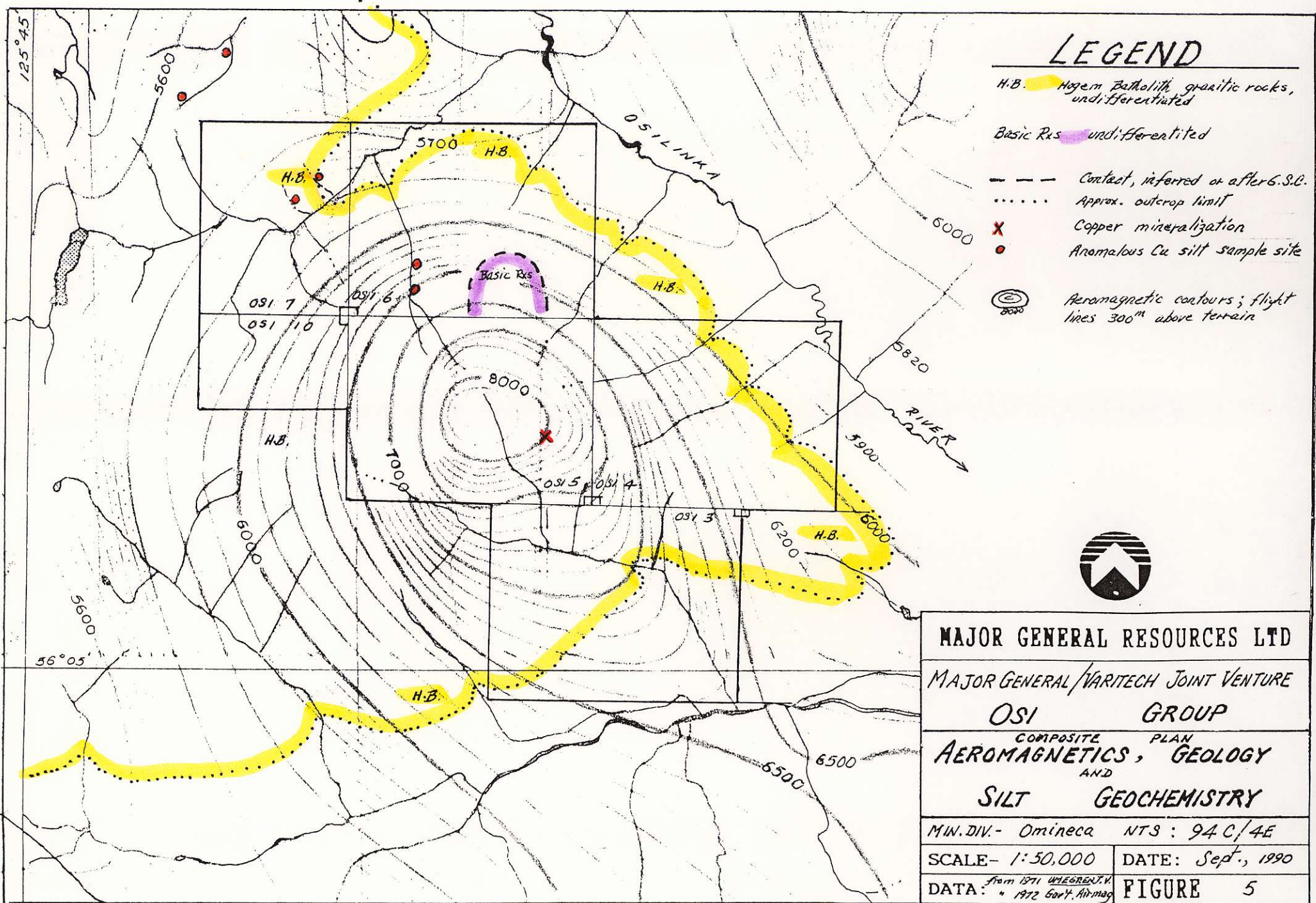
An aeromagnetic survey by the G.S.C. was conducted in 1972, on flight lines 2600 metres above sea level, within the map area. Over the region, a broad band of high magnetic intensities are recorded over the underlying, NW-SE trending rocks of the Hogem Batholith. The magnetic anomalies generally show a similar trend.

A large, thumb-print shaped, 2,000 gamma magnetic anomaly occurs over the entire property. It is located where the high regional magnetics are abruptly disrupted, it narrows to a much lesser width following the eastern boundary of the Hogem Batholith. This disruption in magnetics is at or near the northwestern end of the Duckling Creek Syenite body. The



MAJOR GENERAL RESOURCES LTD	
MAJOR GENERAL-VARITECH JOINT VENTURE	
OS1 GROUP	
LOCATION MAP	
Min. Div. - <i>Omineca</i>	NTS : <i>94C/4E</i>
SCALE-	DATE: <i>Sept., 1990</i>
DATA:	FIGURE <i>4</i>





# LEGEND

- H.B.  Hogen Batholith, granitic rocks, undifferentiated
- Basic Rxs  undifferentiated
- Contact, inferred or after G.S.C.
- ..... Approx. outcrop limit
- X Copper mineralization
- Anomalous Cu silt sample site
- Aeromagnetic contours; flight lines 300m above terrain



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<b>OSI GROUP</b>	
<small>COMPOSITE PLAN</small> <b>AEROMAGNETICS, GEOLOGY</b> <small>AND</small>	
<b>SILT GEOCHEMISTRY</b>	
<small>M.W. DIV. - Omineca NTS : 94 C/4E</small>	
<small>SCALE - 1:50,000</small>	<small>DATE: Sept., 1990</small>
<small>DATA: from 1971 UMEGENT.V. " 1972 Gar4. Air-mag</small>	<b>FIGURE 5</b>

magnetics have a similar range of intensities as the known Duckling Creek intrusive which suggests that there may be unmapped portions of this syenite body underlying the OSI property.

#### **Geochemistry (See Figures 5 and 6)**

Regional silt geochemical programs were conducted during the 1969 field season, and follow-up detail silt sampling was done to assess the aeromagnetic anomaly. Drainages on the NE side of the anomaly were not sampled. Silt samples were analysed for copper and zinc. Results from samples collected on the west and north drainages, show copper values range from 2 to 4 times the local background value.

Regional rock lithochemistry designate the OSI claim area as slightly anomalous (100-199 ppm) in copper. The program is based on sparse sampling sites.

It should be noted that several drainages, north of the stream which borders the magnetic anomaly, show several sites with anomalous copper in silts and two of these contain anomalous values in zinc. The source of the local geochemical high in copper should be further investigated. Gold and silver were not analyzed for.

It is interesting to note that the drainages form an idealistically radial pattern around the thumb-print shaped magnetic anomaly.

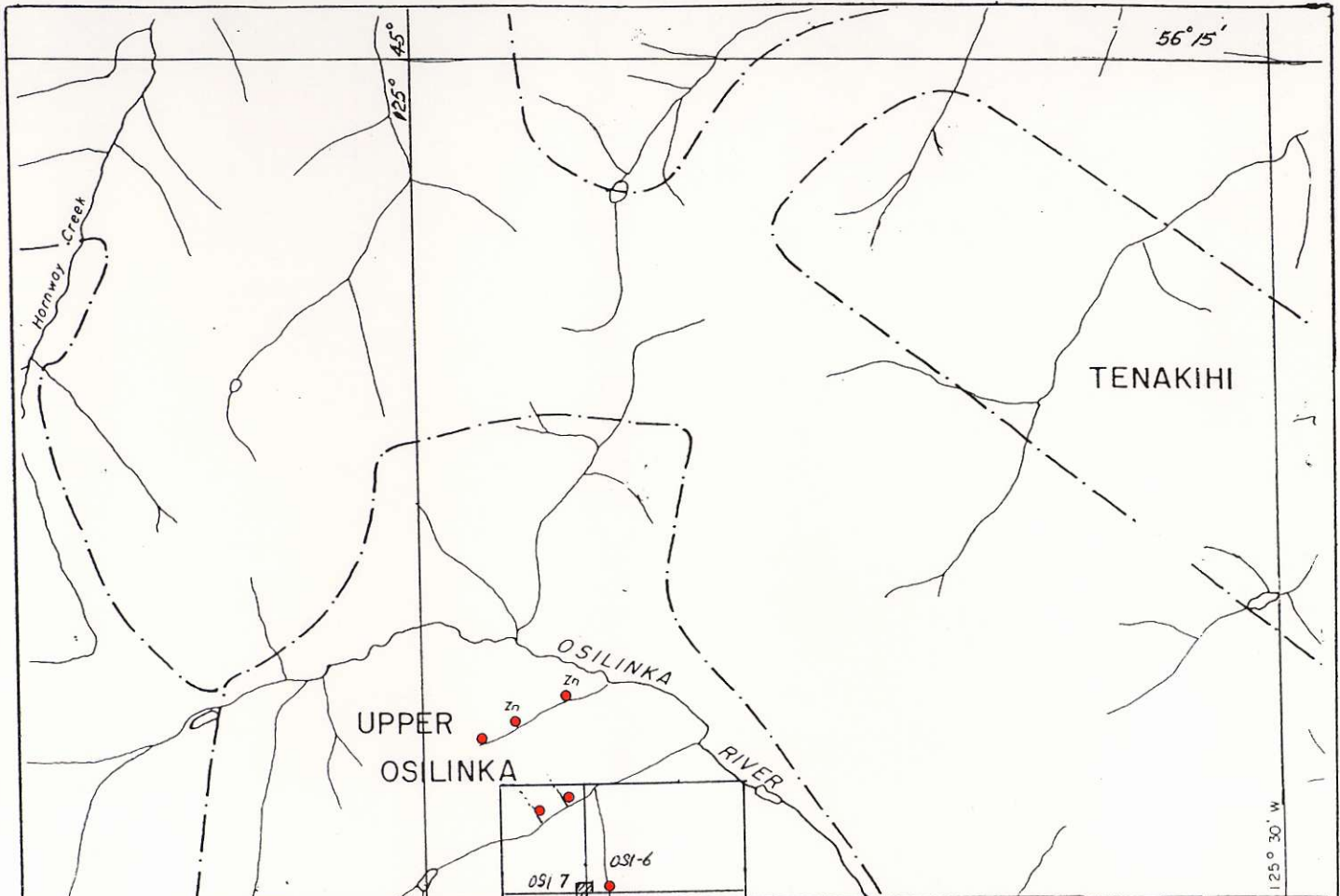
#### **DISCUSSION**

The geology of this property requires detail mapping and the mineral potential requires diligent prospecting. The disruption in the regional magnetic intensities may indicate the northwest termination of the Duckling Creek Syenite Complex. The magnetic anomaly occurs within the jog of the magnetic regional pattern.

Anomalous copper in silts from drainages in and bordering the magnetic anomaly, plus copper mineralization near the centre of the anomaly, are factors favoring additional mineralization to be found, and the need for further work on the property.

The source of the anomalous copper values in silts, from drainages north of the main stream in the northwestern part of the property plus the area northwestward, should be investigated.





**LEGEND**

Results for Copper

- - Silt Individual Anomalous Samples
- - Soil
- - Silt 3 to 5 Anomalous Samples
- - Soil
- - Mo Other Anomalous Metals
- - Zn

GEOCHEMICAL STATISTICAL AREA	ANOMALOUS VALUES P P M		
	Cu	Mo	Zn
UPPER OSILINKA	190	5	85

**MAJOR GENERAL RESOURCES LTD**

MAJOR GENERAL/VARITECH JOINT VENTURE  
**OSI GROUP**

**ANOMALOUS SILT SAMPLE SITES**  
FOR  
**Cu AND Zn**

MIN. DIV. - *Omineca*

NTS: 94 C/4E

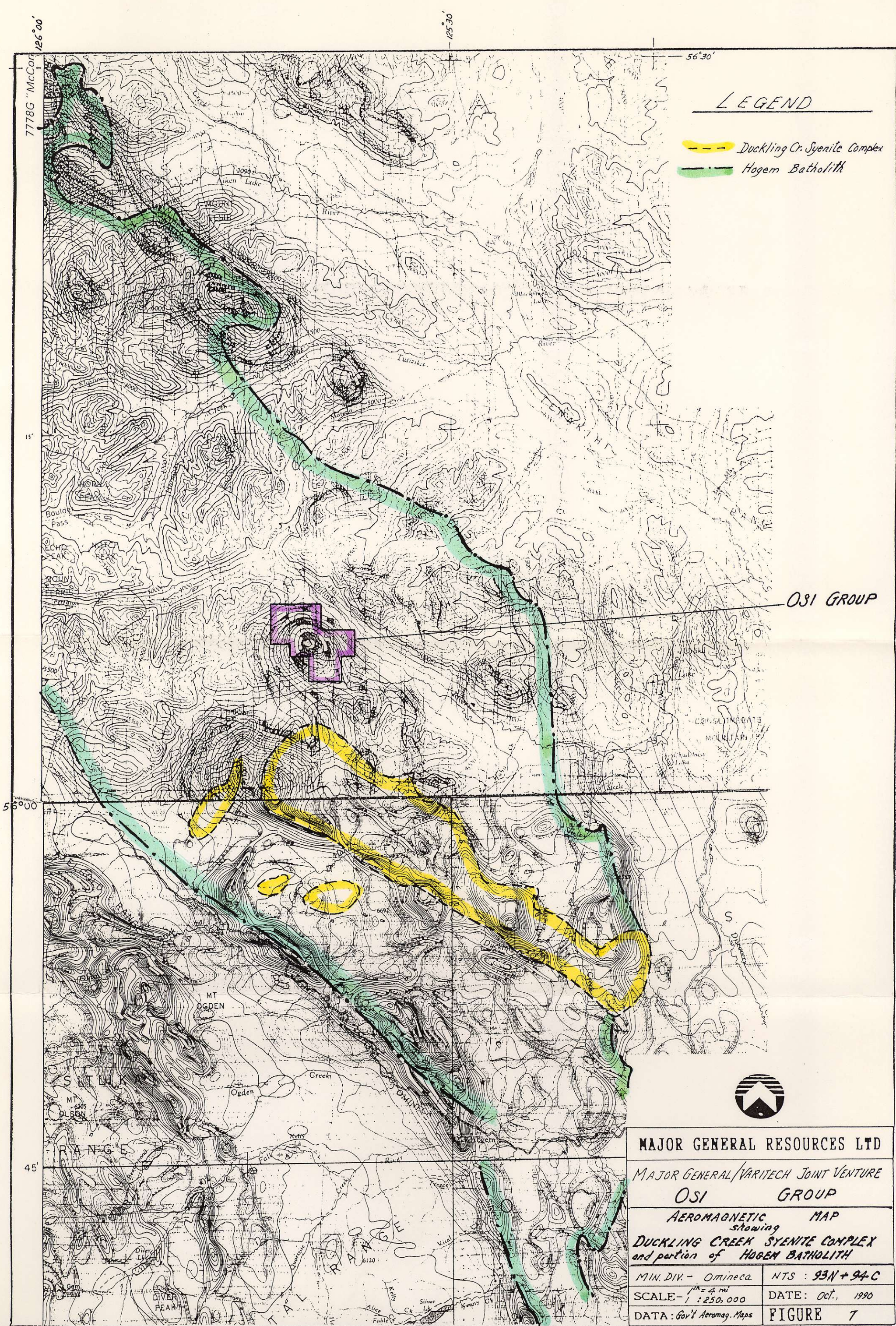
SCALE - 1" = 2 mi

DATE: Sept, 1990

DATA: 1971 UMEGREN J.V.

FIGURE 6





**LEGEND**

- Duckling Cr. Syenite Complex
- Hogen Batholith

OSI GROUP



MAJOR GENERAL RESOURCES LTD	
MAJOR GENERAL/VARITECH JOINT VENTURE	
<b>OSI GROUP</b>	
AEROMAGNETIC MAP <i>showing</i>	
<b>DUCKLING CREEK SYENITE COMPLEX and portion of HOGEN BATHOLITH</b>	
MIN. DIV. - Omineca	NTS : 93N + 94C
SCALE - 1" = 4 mi 1 : 250,000	DATE: Oct., 1990
DATA: Gov't Aeromag. Maps	<b>FIGURE 7</b>



**PROPOSED PROGRAM FOR FURTHER EXPLORATION**

It is recommended by the writers that an initial program consisting of linecutting, soil and rock sampling, magnetic survey, geological mapping and prospecting be carried out on the OSI Group of mineral claims. The program should commence from OSI 5 M.C., in the heart of the magnetic anomaly, and be extended outwards as results are analysed.

Prospective areas should be surveyed in detail with induced polarization surveys to determine if drill targets can be outlined.



\_\_\_\_\_  
Fred Chow, Geologist



\_\_\_\_\_  
Bernard H. Kahlert, P.Eng., Geologist

October 9, 1990

*osio09a*

**DRAFT**

November \_\_\_\_, 1990

Dear Sirs:

**Re:** \_\_\_\_\_

This letter will serve to confirm and document the agreement reached by Major General Resources Ltd. and Varitech Resources Ltd. ("Major-Varitech") and

\_\_\_\_\_ ("\_\_\_\_\_") with respect to the mineral interests described in Schedule "A" attached hereto. The mineral interests described therein are hereinafter collectively referred to as the "Property".

The terms of our agreement are as follows:

1. Major-Varitech represents and warrants to \_\_\_\_\_ that:
  - a) it is the beneficial owner of a 100% interest in the Property;
  - b) the Property is properly and accurately described in Schedule "A" hereto and is in good standing under the laws of the jurisdiction in which it is located;
  - c) to Major-Varitech's knowledge and belief each of the mining claims comprising the Property has been properly located and recorded under the laws of the Province of British Columbia;
  - d) Major-Varitech has the full right and authority to enter into this agreement;
  - e) to Major-Varitech's knowledge and belief there are no adverse interests or other agreements affecting the Property (except for the 2% NSR of Major-Varitech);
  - f) to Major-Varitech's knowledge and belief the Property is free and clear of all liens and encumbrances, recorded or unrecorded (except for the 2% NSR of Major-Varitech);
  - g) there are no outstanding or pending actions, suits or claims affecting all or any part of the Property; and
  - h) Major-Varitech has and will continue to make available to \_\_\_\_\_ all information in its possession or control relating to work done on or with respect to the Property which could possibly be considered to be materially significant in indicating that the Property might or might not have potential for economic mineralization.

Major-Varitech acknowledges and agrees that \_\_\_\_\_ is entering into this agreement relying upon the representations and warranties made to it herein and the correctness of each such representation and warranty is a condition upon which \_\_\_\_\_ is entering into this agreement, each of which conditions may be waived in whole or in part solely by \_\_\_\_\_, and all such representations and warranties shall survive the execution and delivery of this agreement and the transactions contemplated hereby and Major-Varitech agrees to indemnify and hold \_\_\_\_\_ harmless from all loss, damage, cause, action or suits arising out of or in connection with any breach of any representation or warranty contained herein. \_\_\_\_\_, however, by its acceptance of this letter agreement acknowledges and agrees that no survey has been undertaken with respect to the Property and accordingly, although Major-Varitech is not aware of any prior claim to any area comprising the Property or any part thereof, the representations and warranties of Major-Varitech herein are qualified as to the precise boundaries of the Property.

2. Major-Varitech hereby grants to \_\_\_\_\_ the exclusive right and option to earn an undivided 50% interest in the Property by satisfying within the time limited therefor the obligations set forth in Section 3 hereof.
3. To earn an undivided 50% interest in the Property, \_\_\_\_\_ must pay the sum of \$25,000 to Major-Varitech upon the execution of this agreement and also must satisfy within the time therefor the obligations set forth in paragraphs 3(a), 3(b) and 3(c) hereof respectively:

- a) incur expenditures in respect of the exploration and development of the Property aggregating \$400,000 in accordance with the following schedule:
  - i) \$100,000 by December 31, 1990
  - ii) \$125,000 by December 31, 1991
  - iii) \$175,000 by December 31, 1992

provided that expenditures for exploration and development of the Property exceeding the required aggregate minimum expenditure shall be carried forward and credited to the expenditures required in subsequent periods; and

- b) make additional option payments to Major-Varitech aggregating \$75,000 in accordance with the following schedule:
  - i) \$25,000 on or before December 31, 1990;
  - ii) \$25,000 on or before December 31, 1991;
  - iii) \$25,000 on or before December 31, 1992;

provided that such payments may be accelerated at any time in the sole discretion of \_\_\_\_\_.

- c) issue an aggregate of 100,000 Common Shares in the capital of \_\_\_\_\_ to Major-Varitech upon acceptance by the Vancouver Stock Exchange.

PROVIDED THAT the issuance of the shares set out in Clauses (i), (iii) and (iv) of this subsection 3(c) shall be subject to the provisions of Section 34 hereof."

4. This agreement may be terminated at any time by \_\_\_\_\_ after \_\_\_\_\_ has issued an aggregate of 100,000 Common Shares to Major-Varitech and has made the initial option payment of \$25,000 required to be made pursuant to Section 3. All work commitments required to be fulfilled pursuant to the provisions of Section 3(a) hereof and all additional option payments required to be made pursuant to Section 3(b) hereof are optional at the sole discretion of \_\_\_\_\_. If \_\_\_\_\_ fails to satisfy the obligations by the dates specified in Sections 3(a), 3(b) and 3(c), Major-Varitech may terminate this agreement at any time by sending notice of the termination to \_\_\_\_\_ and, in such case, \_\_\_\_\_ shall return the Property free of all liens and encumbrances which may attach to the Property subsequent to the date of this agreement and ensure that the Property will be in good standing for a period of at least one year following the date of termination.
5. Major General or Varitech shall be the Operator of the Property prior to the time that a joint venture is formed. During the currency of this agreement, the Operator shall keep the Property in good standing, free and clear of all liens and encumbrances which may result from its activities and maintain adequate insurance coverage protecting the parties to this agreement from third party claims.
6. If \_\_\_\_\_ should satisfy all the obligations set out in Sections 3, 3(a), 3(b) and 3(c), \_\_\_\_\_ shall have earned an undivided 50% interest in the Property and may at any time thereafter during the currency of this agreement notify Major-Varitech that it has earned its interest hereunder, even if such date is prior to December 31, 1992. \_\_\_\_\_ and Major-Varitech shall then form a joint venture (the "Joint Venture") for the further exploration and development of the Property and each party shall have the right to participate in the Joint Venture according to each party's respective undivided interest and corresponding obligation to fund the further exploration and development of the Property ("Participating Interest") which at the time of formation shall be:

_____	50%
Major-Varitech	50%

subject only to a 2% net smelter return royalty in favour of Major-Varitech and paid by the Joint Venture in accordance with Schedule "B".

7. This section deliberately removed.
8. In the event of termination of this agreement for any reason, all buildings, plant, equipment, machinery, tools, appliances and supplies which have been brought upon the Property during the term of this agreement shall be removed by \_\_\_\_\_ at any time not later than 18 months after the termination of this agreement. Upon termination, \_\_\_\_\_ shall, forthwith on demand and at its expense, deliver to Major-Varitech one set of reports prepared by or for \_\_\_\_\_ relative to any work done on the Property.
9. Prior to earning its interest, all work done by \_\_\_\_\_ on the Property shall be done in accordance with good mining practice and in compliance with applicable laws and regulations. \_\_\_\_\_ shall keep the Property in good standing and shall pay all taxes and assessments with respect to the Property during the currency of its option.

10. Prior to \_\_\_\_\_ earning its interest, Major-Varitech and its authorized representatives shall have reasonable access to the Property at their sole risk and expense to review work being carried out thereon and also shall have access at all reasonable times to the records of \_\_\_\_\_ respecting exploration and development work carried out on the Property and the results obtained therefrom provided, however, that this shall not unduly interfere with or disrupt the activities of \_\_\_\_\_. Except for the foregoing, \_\_\_\_\_ shall have exclusive possession of the Property. In view of the timely disclosure obligations of both parties, \_\_\_\_\_ shall keep Major-Varitech apprised of ongoing exploration and development work on the Property and provide copies to Major-Varitech of all results and reports prepared by or for \_\_\_\_\_. The parties shall consult with one another as to proposed public announcements and news releases. In addition, \_\_\_\_\_ shall provide Major-Varitech with a report by March 31st in each year indicating the status of exploration work conducted on the Property in the previous calendar year. Major-Varitech agrees that all data and/or information with respect to the Property provided to or received by Major-Varitech shall be treated as confidential and shall not be disclosed to any other person, except as required by law or by any regulatory authority having jurisdiction to do so, without the prior written consent of \_\_\_\_\_, which consent shall not be unreasonably withheld.
11. Forthwith following the signing of this agreement, Major-Varitech shall execute and deliver transfers of the Property to \_\_\_\_\_, and \_\_\_\_\_ may record such transfers and hold the Property in trust for the parties during the currency of this agreement. In addition, \_\_\_\_\_ shall execute and deliver transfers of the Property back to Major-Varitech and Major-Varitech may record such transfers upon the failure of \_\_\_\_\_ to meet the obligations set in paragraphs 3(a), (b) and (c), and upon Major-Varitech giving notice to \_\_\_\_\_ as set out in Section 4 hereof. Each of the parties shall be entitled to record evidence of its beneficial interest in the Property from time to time during the currency of this agreement, and each party agrees to execute and deliver all necessary documents to facilitate such recordings from time to time.
12. Forthwith after formation of the Joint Venture hereunder, a Management Committee, consisting of two representatives of each of \_\_\_\_\_ and Major-Varitech shall be established. Each of the parties shall also nominate an alternate representative to the Management Committee who shall represent it in the absence of the appointed representative. The Management Committee shall be responsible for approving work plans and budgets and for determining the general policies and direction to be adopted by the Operator in the conduct of the operations.
13. \_\_\_\_\_ shall indemnify and save harmless Major-Varitech from any and all claims arising out of the operations which may be conducted upon the Property by \_\_\_\_\_ prior to the formation of the Joint Venture. After formation of the Joint Venture the parties shall indemnify and save harmless the Operator from and against third party liabilities in accordance with their respective Participating Interests in the Property, except for loss or damage arising from the Operator's failure to maintain such insurance coverage as may be required by the Management Committee or arising from the bad faith or willful misconduct of the Operator. The reduction or conversion to a carried interest of a party's Participating Interest shall not relieve such party of its share of any liability, whether it accrued before or after reduction or conversion, arising out of operations conducted prior to such reduction or conversion. A party's share of such liability shall be equal to its Participating Interest at the time that such liability was incurred.



14. The Management Committee shall meet at least once annually and otherwise on ten days notice given by the Operator and on 30 days notice given by a non-operator. Decisions of the Management Committee shall be by majority vote. Each party's representative shall be entitled to one vote for each 1% Participating Interest held by such party. In the event of a deadlocked vote, the Operator shall have a casting vote.
15. \_\_\_\_\_ shall be the Operator and shall remain Operator so long as it continues to hold at least a 50% interest in the Property. The Operator shall have exclusive charge of all Operations and shall conduct such Operations in accordance with approved work plans and budgets established by the Exploration or the Management Committee.
16. The Operator shall be entitled to charge and receive from the non-operator an overhead fee. The charge for overhead shall not exceed 10% of the cost of each work plan and shall remain at this level until the Exploration or the Management Committee approves a recommendation of the Operator to place any orebody located on the Property into Commercial Production, in which event the parties shall agree on a reasonable fee to compensate the Operator for management of the Property, such fee to be determined on the basis of normal industry practice.
17. The Operator shall submit work plans and budgets to the Management Committee for approval within 90 days of the expiration of the work plan then in effect. If the Management Committee should fail to approve the work plan and budget proposed by the Operator or the Operator should fail to submit a work plan and budget within this time then the non-operator may, not less than 60 days thereafter, propose a work plan and budget for the ensuing period of time. Should the Management Committee approve the work plan and budget proposed by the non-operator, then the Operator shall forthwith implement and carry out the approved work plan and budget. Should the Management Committee reject the work plan and budget proposed by the non-operator, then the non-operator within 60 days thereafter may elect to replace the Operator hereunder and shall forthwith propose a work plan and budget for the consideration of the Management Committee. Thereafter, so long as that party continues to propose work plans and budgets, such party shall be entitled to continued to act as Operator until he resigns or is replaced in accordance with the provisions of this agreement.
18. Each party must within 15 days of receipt of an approved work plan and budget elect whether to participate in the work plan and fund its required share of the expenditures. Failure to elect within the 15 day time period shall be deemed to be an election not to participate. A party who elects or is deemed to have elected not to participate in a work plan or whose Participating Interest has been diluted pursuant to the provisions of Section 21 shall be entitled to participate in subsequent work plans and budgets only to the extent of its Participating Interest at the time any subsequent work plans and budgets are approved by the Management Committee.
19. Monthly expenditures projections will be provided by the Operator on a quarterly basis in advance, and each party shall remit the required funds to the Operator on or before the first day of the month in which they will be expended, otherwise that party will be deemed to have elected not to participate in the current and any future work plan and shall be subject to dilution pursuant to Section 21 provided however that the Operator shall have given notice requiring the party to contribute the required funds within five days of the first day of the month and the party has not within the said five day period of such notice remitted the funds to the Operator. The expenditure projections shall include a description of the work being proposed as well as the estimated expenditure required to complete such work. If actual expenditures for a month exceed the expenditures projection for that month then the Operator shall provide to the non-operator an account

of the overrun. Upon receipt of such account the non-operator shall remit to the Operator its share of funds required to fund the overrun provided, however, that any expenditures made by the Operator in excess of 10% of the original expenditure projection for the work plan and budget shall be for the sole account of the Operator unless otherwise approved by the Management Committee.

20. The Operator shall prepare and submit reports on a monthly basis to the non-operator with respect to results obtained from the implementation of a work plan and shall further provide details of any material results obtained forthwith upon receipt. After the completion of each work plan, the Operator shall prepare and deliver to the parties a report containing the engineering and geological results derived from the exploration work just completed as well as a breakdown of the expenditures made in carrying out such work. In addition, each such report shall contain the Operator's recommendations regarding the next work plan and budget. All information provided to the non-operator shall be treated as confidential and shall not be disclosed to any other party, except as required by law or by any regulatory authority having jurisdiction to do so, without the prior written consent of the Operator, which consent shall not be unreasonably withheld.
21. If either party fails to make its required contribution to expenditures under a work plan then the party failing to make the contribution shall have its Participating Interest reduced. At any time after the formation of a joint venture a party's Participating Interest can be calculated by dividing that party's expenditures and deemed expenditures by the total expenditures and deemed expenditures of both parties and expressing the result as a percentage. For the purpose of calculating the initial and subsequent Participating Interest of each party, \_\_\_\_\_ and Major-Varitech shall be deemed to have expended the following amounts at the commencement of the Joint Venture:

	\$400,000
Major-Varitech	\$400,000

22. If either party's Participating Interest is reduced to a percentage equal to or less than 10%, then its Participating Interest will automatically convert to a 10% net profits royalty interest to be calculated and paid in accordance with Schedule "C" hereto.
23. Each party shall from time to time have the right of first refusal to purchase all or any part of the other party's Participating Interest, but this right shall not apply to any transaction between a party and any parent, affiliate, subsidiary or related company. Before making any offer or arrangement to sell or upon receiving any offer to purchase all or any part of such interest, which a party is prepared to accept (the "Offerer"), the Offerer shall give written notice to the other party (the "Other"). The Other shall have a period of 30 days from the time of receipt by it from the Offerer of such notice within which to purchase such interest upon terms no less favorable to the Other than offered to or by the Offerer under any bona fide arrangement with any third party. If the Other does not purchase such interest covered by such notice, then the Offerer shall be free to sell such. If the Other does not purchase such interest covered by such notice, then the Offerer shall be free to sell such interest to a third party within 60 days next following the aforesaid period of 30 days upon terms no more favorable to the third party than those offered to the Other. If the Offerer does not so sell such Interest within such last mentioned 60 days, then the Other shall continue to have the right of first refusal to purchase any Participating Interest not sold by the Offerer.
24. Any sale, assignment or transfer by a party (the "Transferor") of any part of its rights or obligations hereunder to a purchaser, successor or assignee, as the case may be (the "Transferee"), shall provide that the Transferee and the Transferor will agree to act as a single party hereunder with a joint appointment of full responsibility and authority under

this agreement to one party to exercise all of their rights. Any Transferee shall acknowledge and accept the respective interests of the other parties and agree to be bound by all of the terms of this agreement. The Transferee and Transferor shall remain jointly and severally liable for all of their obligations under this agreement. If all of a party's Participating Interest is transferred, the Transferor shall not be released from its obligations without first receiving the consent of the remaining party, which consent shall not be unreasonably withheld and the Transferee must agree with the other parties to assume all of the duties, obligations and responsibilities of the Transferor under this agreement.

25. The Operator may recommend to the Management Committee at any time to place any orebody located on the Property into production. In the event the Operator makes such recommendation, the Operator shall make available to the non-operator all data and information relied upon by the Operator in making such recommendation and the Management Committee shall meet to consider such recommendation within a period which is not less than 60 and not more than 120 days following the date of which the Operator's recommendation is received by the Management Committee, and the Management Committee shall approve or disapprove such recommendation. If the Management Committee approves such recommendation each party shall have a further 90 days to elect whether or not to contribute, in accordance with its Participating Interest, its proportionate share of the cost of placing any such orebody into production at that time. An election to contribute shall commit the electing party to provide its share of such cost, and an election not to contribute shall result in dilution of that party's Participating Interest pursuant to Sections 21 and 22.
26. Each party shall have the right to take delivery of products produced from the Property in kind, in proportion to its Participating Interest. Ownership of and title to such products, as and from the time of delivery to any party, shall be taken by such party separately and not as a joint tenant or a tenant-in-common with the other parties. Each party shall be responsible for separately disposing of its share of production, and if a party should fail to make the necessary arrangements to take in kind and separately dispose of its share of production according to its Participating Interest, the Operator shall not be responsible for storing and securing such party's share of production, but all costs incurred by the Operator because of such failure shall be for the sole account of the defaulting party failing to take its share of production. The increased costs, if any, arising from a party's election to take in kind shall be to the account of the party so electing.
27. The obligations of each party under this agreement shall be in every case several and shall not be, or be construed to be, either joint or joint and several and nothing herein shall be construed as creating a partnership between the parties. Nothing contained in this agreement shall be deemed to constitute a party an agent or legal representative of the other party or to create any fiduciary relationship for any purpose whatsoever. Except as otherwise specifically provided in this agreement, a party shall not have any authority to act for, or to assume any obligation or responsibility on behalf of any other party. Each party hereby waives its rights to partition of the Property and, to that end, agrees that it will not seek or be entitled to partition of the Property whether by way of physical partition, judicial sale or otherwise. Except as expressly provided in this agreement, each party shall have the free and full benefits of any and all business endeavors of any sort whatsoever not related to the Property whether or not competitive with the endeavors contemplated herein without consulting or inviting or allowing the other party any interest therein. No party shall be under any fiduciary or other duty to the other which will prevent it from engaging in or enjoying the benefits of competing endeavors within the general scope of the endeavors contemplated by this agreement. The legal doctrines of "corporate opportunity" or "business opportunity" sometimes applied to joint venturers or other fiduciaries shall not apply in the case of any other endeavor of a party.

In particular, without limitation, no party shall have any obligation to the others as to the erection of any smelter or refinery whether or not such smelter or refinery treats ores or concentrates produced from the Property.

28. Any notice or election permitted or required to be given hereunder shall be in writing and shall be effective if delivered or faxed or if mailed postage prepaid to the current address of a party or to such other address as a party shall inform the others by like notice. Any such notice will, if delivered, or faxed be deemed to have been given and received on the day it was delivered, and if mailed, be deemed to have been given and received on the fifth business day following the day of mailing, except in the event of a disruption of postal service, in which case notice will be deemed to be received on the seventh day following the resumption of normal postal service.
29. No party hereto shall be liable to the others and no party hereto shall be deemed in default under this agreement for any failure or delay to perform any of its covenants and agreements caused or arising out of any act not within the control of the party, excluding lack of funds but including, without limitation, acts of God, strikes, lockouts, or other industrial disputes, acts of the public enemy, riots, fire, storm, flood, explosion, government restriction, failure to obtain any approvals required from regulatory authorities, including environmental protection agencies, unavailability of equipment, interference of environmentalists or native rights pressure groups or other causes whether of the kind enumerated above or otherwise which is not unreasonably within the control of the party. No right of a party shall be affected for failure or delay of the party to meet any condition of this agreement, which failure or delay is caused by one of the events above referred to, and all times provided for in this agreement shall be extended for a period commensurate with the period of the delay, and so far as possible the party affected will take all reasonable steps to remedy the delay caused by the events above referred to provided, however, that nothing contained in this Section shall require any party to settle any industrial dispute or to test the constitutionality of any law enacted by any province or the Federal Government of Canada. Any party relying on the provisions of this Section shall forthwith give notice to the other party of the commencement of such event and of its end.
30. This agreement shall be binding upon the parties hereto and their respective successors and assigns.
31. Time shall be of the essence hereof.
32. This letter agreement, including Schedules "A", "B" and "C" attached hereto, constitutes the entire agreement between \_\_\_\_\_ and Major-Varitech pertaining to the Property and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written between \_\_\_\_\_ and Major-Varitech, and there are no warranties, representations or other agreements between \_\_\_\_\_ and Major-Varitech in connection with the Property except as specifically set forth herein.
33. This letter agreement shall be effective from and as of August 22, 1990.
34. Major-Varitech acknowledges that the terms of \_\_\_\_\_'s agreement with the Vancouver Stock Exchange (The "VSE") require that this agreement be accepted for filing by the VSE. In the event that the Effective date has not occurred before \_\_\_\_\_, this agreement shall be void *ab initio* and the parties shall have no further obligations to one another. In addition, the issuance of the shares to Major-Varitech pursuant to Subsection 3(c) hereof is subject in each case to \_\_\_\_\_ filing with VSE an engineering report on the Property by an independent engineer or

geologist summarizing the work carried out on the Property and recommending further work. \_\_\_\_\_ agrees to use its best efforts to file such a report on a time basis to permit the issuance of shares on or before the applicable date; provided however that notwithstanding that the shares may not have been issued by the applicable date, \_\_\_\_\_ shall not lose any of its rights hereunder if it has filed such a report with the VSE and is diligently seeking the consent of the VSE to the issuance of the applicable shares."

If the foregoing terms and conditions reflect our agreement, please execute and return the enclosed duplicate copies of this letter agreement and we shall consider it to be a binding agreement.

Yours truly,

**MAJOR GENERAL RESOURCES LTD.**

**VARITECH RESOURCES LTD.**

Byard H. MacLean, P.Eng.  
President

Bradford J. Cooke  
President

BHM:jd

ACKNOWLEDGED AND AGREED TO THIS  
\_\_\_\_ DAY OF NOVEMBER, 1990.

\_\_\_\_\_ **RESOURCES LTD.**

per: \_\_\_\_\_

AGMTVARJVA