

#483

680296

REPORT ON THE CK OPTION

(CK, RAFT, ULO and NORTH MINERAL CLAIMS)
Kamloops Mining Division, British Columbia

N.T.S. 82-M-13/E

51°55'N; 119°35'W

FOR

SICINTINE MINES LTD. (N.P.L.)

1425 - 355 Burrard Street
Vancouver, B.C. V6C 2G8

BY

Michael H. Sanguinetti, P.Eng.
Geologist

CORDILLERAN ENGINEERING LIMITED

1418 - 355 Burrard Street
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APRIL 7, 1976



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I N T R O D U C T I O N

This report has been written at the request of Mr. W. J. Coulter, President of Sicintine Mines Ltd. (N.P.L.). It reviews the geology and work conducted on the CK Option by Rio Tinto Canadian Exploration Limited during 1974 and 1975.

Massive sphalerite float boulders were discovered near McKlosky Creek in 1973 by Mr. A. Horne. Since that time Rio Tinto has conducted an extensive exploration programme in an attempt to locate the source of this float. The property has reverted back to Mr. Horne and an option by Sicintine Mines is now pending.

The writer feels that the probability of locating the high grade sphalerite mineralization in place is still high. An exploration programme designed to accomplish this end is recommended.

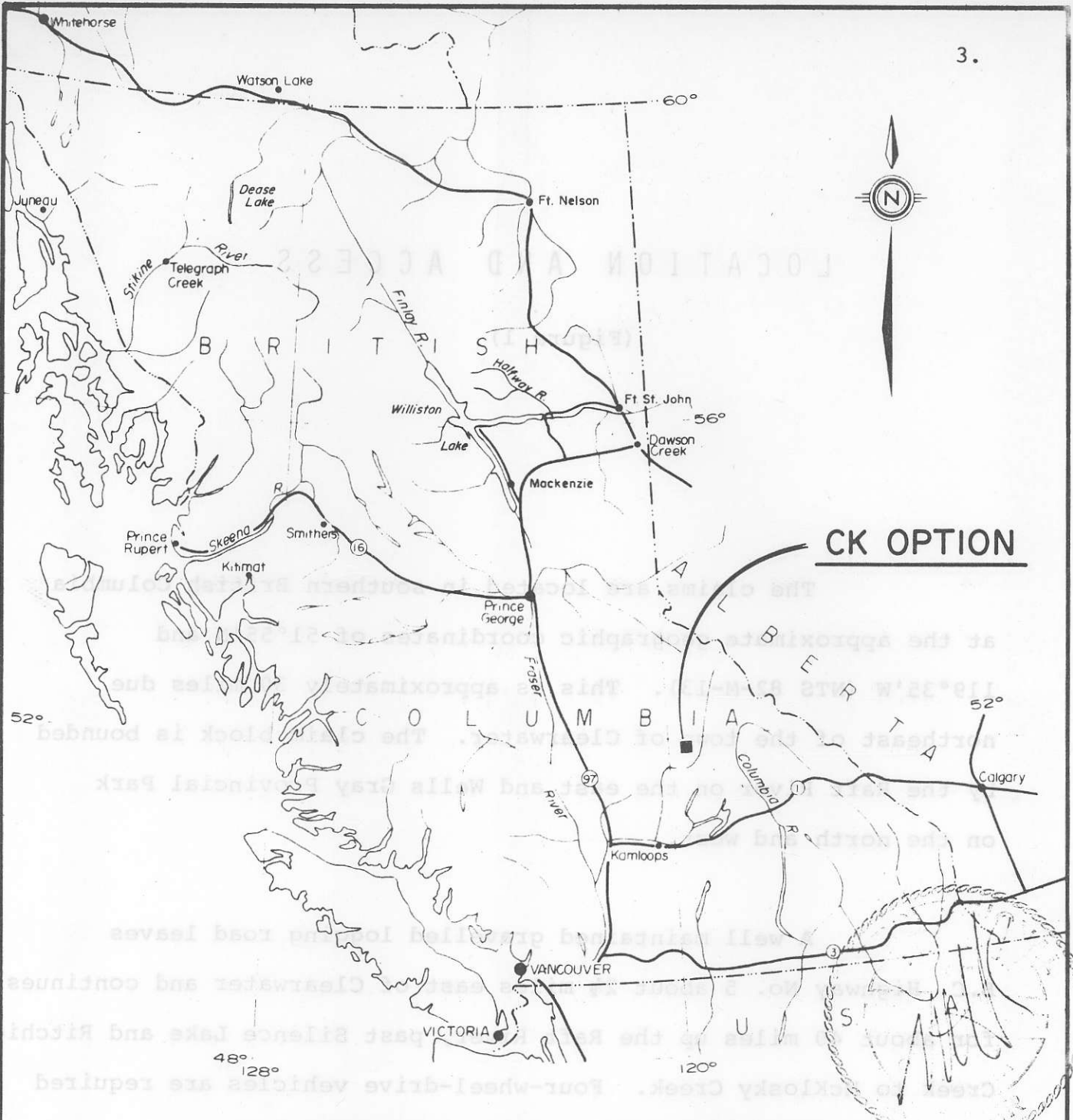
P R O P E R T Y

(Appendix "B"; Figure 2)

The CK Option consists of 99 full-sized claims registered in the name of Mr. Andrew P. Horne of Chase, B.C. A further 93 mineral claims, now registered in the name of Rio Tinto Canadian Exploration Limited are available for transfer. These claims are all situated in the Kamloops Mining Division.

The writer personally examined several of the claim posts of the CK 1-20 group in 1973, but has relied upon data supplied by Rio Tinto and Mr. Horne concerning the balance. Claim records were personally checked in the office of the Vancouver Mining Recorder.

Appendix "B" lists those claims registered in the name of Mr. Horne and those claims available for transfer from Rio Tinto.



SICINTINE MINES LTD. (NPL)

VANCOUVER B.C.

LOCATION MAP CK OPTION

(CK, RAFT, ULO and NORTH MINERAL CLAIMS)

KAMLOOPS MINING DIVISION, BRITISH COLUMBIA



CORDILLERAN ENGINEERING LIMITED
 1418-355 BURRARD ST
 VANCOUVER

FIGURE I

LOCATION AND ACCESS

(Figure 1)

The claims are located in southern British Columbia at the approximate geographic coordinates of 51°55'N and 119°35'W (NTS 82-M-13). This is approximately 30 miles due northeast of the town of Clearwater. The claim block is bounded by the Raft River on the east and Wells Gray Provincial Park on the north and west.

A well maintained gravelled logging road leaves B.C. Highway No. 5 about 2½ miles east of Clearwater and continues for about 40 miles up the Raft River, past Silence Lake and Ritchie Creek to McKlosky Creek. Four-wheel-drive vehicles are required during winter and wet periods.

PHYSIOGRAPHY AND VEGETATION

The area is moderately rugged with a maximum local relief of 2,500 feet. The claims are in a highland area bounded by two deep valleys.

Vegetation consists of relatively dense underbrush of willow, alder and devil's club with mixed secondary pine, spruce, balsam and fir. Much of the area has been burnt over within the last 75 years.

HISTORY AND PREVIOUS WORK

Boulders of massive sphalerite and galena were found and the surrounding area staked by Mr. Andrew Horne in September, 1973. At that time much of the mineralization was thought to be contained in bedrock outcrop and was mapped and sampled as such. The original group of 100 claims was optioned to Rio Tinto Canadian Exploration Limited in the fall of 1973.

Airborne magnetic and electromagnetic surveys were flown in January, 1974 and additional claims staked to cover anomalies located. A programme of geological mapping, a ground magnetometer survey, stream sediment and soil sampling, metallurgical test work and 1268 feet of diamond drilling were conducted during the 1974 field season. The results of this work revealed that none of the original mineralization found was in place.

Anomalous stream sediment samples prompted further staking (to a total of 298 claims) and subsequent soil sampling.

HISTORY AND PREVIOUS WORK (cont'd)

Several outcrops containing minor sphalerite were located coincident with sediment and soil anomalies.

The 1975 work programme consisted of geological mapping, a magnetometer survey, selective IP, resistivity and EM-16 VLF surveys and 1,185 feet of diamond drilling.

This work failed to locate significant mineralization or the source of the massive sphalerite float. Rio Tinto terminated the option in October of 1975 and the property reverted back to Mr. Horne.

REGIONAL GEOLOGY

The area was mapped by R. B. Campbell (G.S.C. Map 48-1963) during 1962 and 1963. The claims are situated within the Shuswap Metamorphic Complex described as "... a strongly foliated and lineated assemblage of metasedimentary gneisses and schists intruded by an enormous number of dykes, sills, and small irregular bodies of granitic rocks. Pegmatite comprises more than 70 per cent of the exposed rock in some places...." (Campbell, 1973). Four main sets of bedding and/or gneissosity are shown in the area of the claims, the two main sets striking N 60° W and N 20° W.

Numerous base metal mineral occurrences are found in this region, principally in Shuswap or Permian (Barriere Formation ?) ages of rocks. The Ruddock Creek deposit, located about 30 air miles to the southeast, is reported to contain 10 million tons of approximately 10% combined lead-zinc. This deposit is in schists and gneisses of the Shuswap Metamorphic

REGIONAL GEOLOGY (cont'd)

Complex. The Harper Creek copper deposit, located about 25 miles to the south, is reported to contain 100 million tons of 0.40% copper in schist, phyllite and gneiss of Permian age. Twenty miles to the southwest, lead-zinc mineralization has been reported in Permian sediments and metasediments on McClennan Mountain. The Trophy Mountain deposit, located about 12 miles WSW of the CK claims, contains massive galena, sphalerite, chalcopyrite, pyrite and pyrrhotite in folded and faulted Shuswap rocks.

PROPERTY GEOLOGY

(Figure 5)

Geological mapping by Rio Tinto was conducted in both 1974 and 1975. This work was hampered by the scarcity of outcrop which made it impossible to determine the stratigraphic sequences or structure of the rocks. The property is predominantly underlain by quartz-feldspar-biotite and calc-silicate gneisses and schists cut by pegmatite dykes. Limestone, marble and quartzitic metasediments were noted.

The principal rock type in the northernmost claims appears to be massive, coarse-grained, cream coloured pegmatite. The main constituents include subhedral feldspar and clear quartz; accessory red garnet and black feldspars are common in addition to trace amounts of pyrite and pyrrhotite.

Gneissic rocks appear to predominate on the southernmost claims. The different varieties of gneiss are related by their

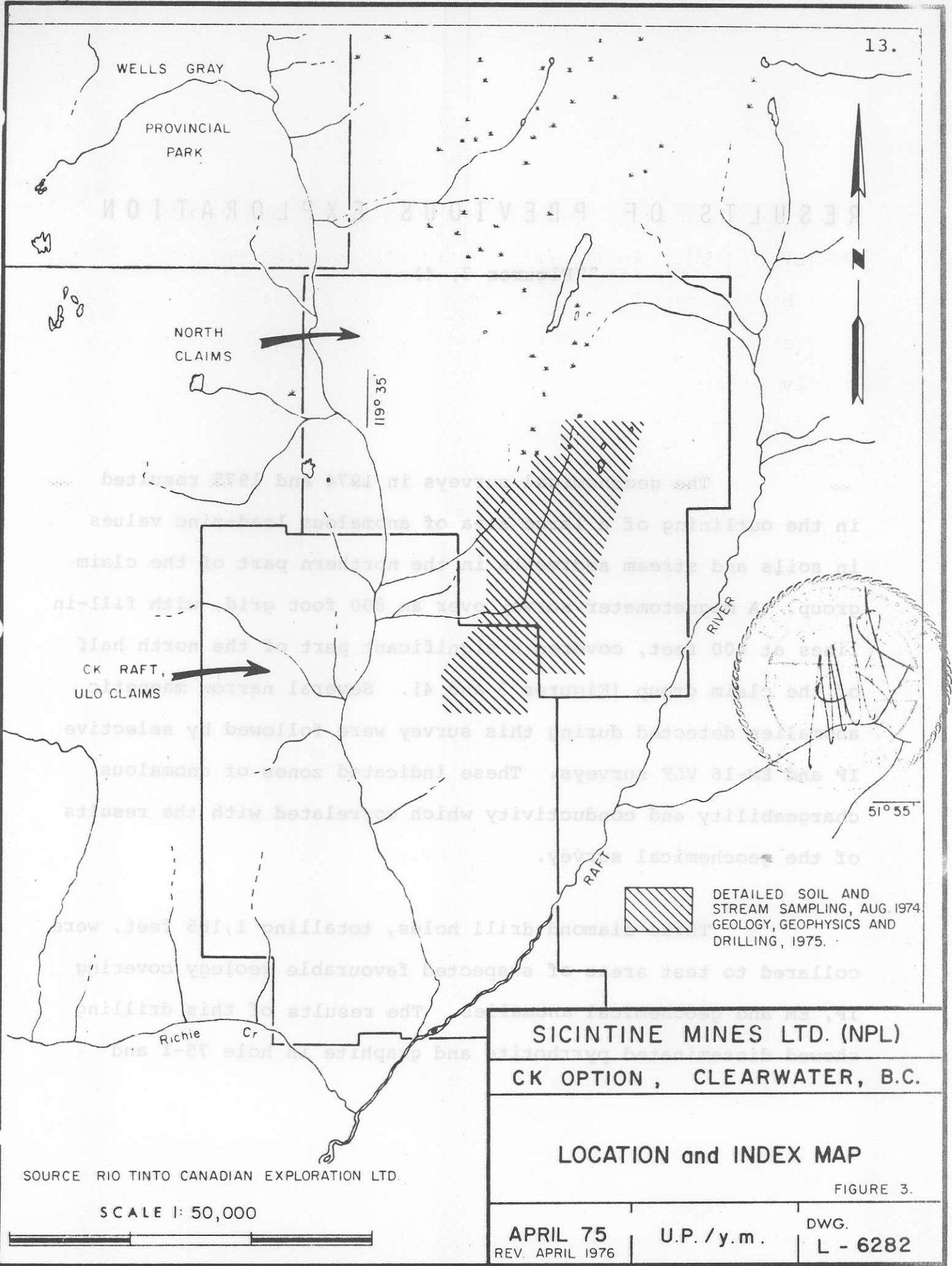
PROPERTY GEOLOGY (cont'd)

silica content. Frequent compositional changes over short intervals may be the product of metamorphic segregation rather than original bedding. Paltser (1975) notes that disseminated graphite, pyrrhotite and pyrite are common in quartz-biotite-gneiss and, when present in sufficient quantities, have the ability to alter the electrical and magnetic characteristics. During the course of mapping he located several restricted outcrops of coarse crystalline marble containing traces of disseminated sphalerite and minor flakes of muscovite. Occasional narrow bands of massive sphalerite were noted in the gneiss and "quartzitic sediments" but these were invariably restricted by faulting, intrusive pegmatite dykes or by pinching out. "The observed mineralization in outcrop is apparently stratiform, and in this respect as well as in its composition and form, it is similar to that described from other deposits of the Shuswap, and also in the boulders." (Petersen, 1974).

The original boulders of marble or angular quartzitic rock, well mineralized with sphalerite, with lesser galena and pyrite (pyrrhotite) occur over much of the property. Chip samples from some of these boulders returned values ranging from 14 to 22 per cent zinc over widths of 2 to 6 feet (Seraphim, 1973). The mineralization occurs as either nearly massive dark black sphalerite with lesser galena and pyrrhotite in clear granular

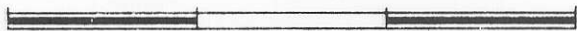
PROPERTY GEOLOGY (cont'd)

quartz or as coarsely disseminated sphalerite in a coarse granular quartzitic host. In the latter type the sulphide may occur along vague bands. The large size, lack of significant glacial rounding and frequent distribution of these boulders would indicate a relatively near source.



SOURCE RIO TINTO CANADIAN EXPLORATION LTD.

SCALE 1: 50,000



SICINTINE MINES LTD. (NPL)

CK OPTION, CLEARWATER, B.C.

LOCATION and INDEX MAP

FIGURE 3.

APRIL 75
REV. APRIL 1976

U.P. / y.m.

DWG.
L - 6282

RESULTS OF PREVIOUS EXPLORATION

(Figures 3, 4)

The geochemical surveys in 1974 and 1975 resulted in the outlining of a large area of anomalous lead-zinc values in soils and stream sediments in the northern part of the claim group. A magnetometer survey over an 800 foot grid, with fill-in lines at 400 feet, covered a significant part of the north half of the claim group (Figures 3 and 4). Several narrow magnetic anomalies detected during this survey were followed by selective IP and EM-16 VLF surveys. These indicated zones of anomalous chargeability and conductivity which correlated with the results of the geochemical survey.

Three diamond drill holes, totalling 1,185 feet, were collared to test areas of suspected favourable geology covering IP, EM and geochemical anomalies. The results of this drilling showed disseminated pyrrhotite and graphite in hole 75-1 and

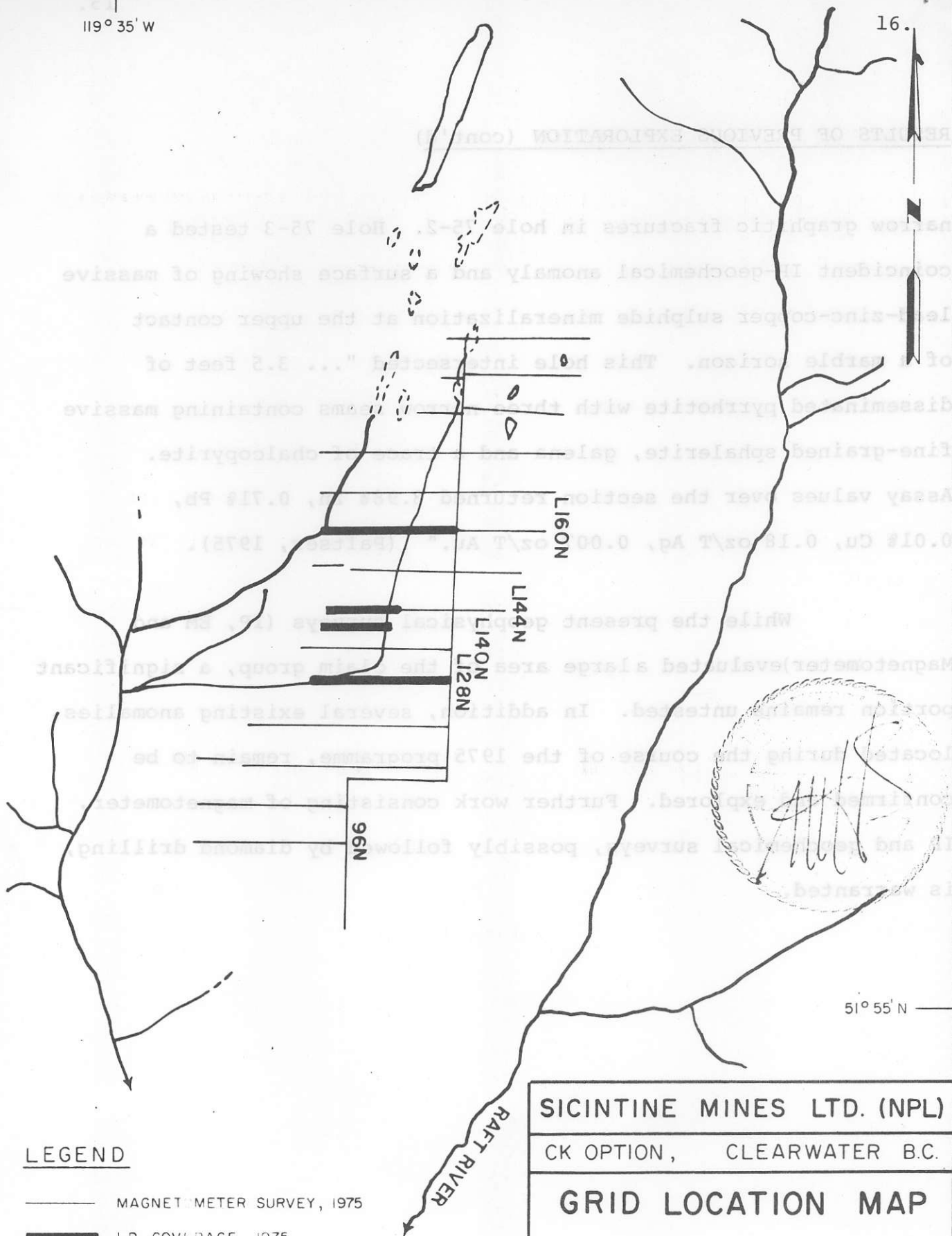
RESULTS OF PREVIOUS EXPLORATION (cont'd)

narrow graphitic fractures in hole 75-2. Hole 75-3 tested a coincident IP-geochemical anomaly and a surface showing of massive lead-zinc-copper sulphide mineralization at the upper contact of a marble horizon. This hole intersected "... 3.5 feet of disseminated pyrrhotite with three narrow seams containing massive fine-grained sphalerite, galena and a trace of chalcopyrite. Assay values over the section returned 3.98% Zn, 0.71% Pb, 0.01% Cu, 0.18 oz/T Ag, 0.007 oz/T Au." (Paltser, 1975).

While the present geophysical surveys (IP, EM and Magnetometer)evaluated a large area of the claim group, a significant portion remains untested. In addition, several existing anomalies, located during the course of the 1975 programme, remain to be confirmed and explored. Further work consisting of magnetometer, IP and geochemical surveys, possibly followed by diamond drilling, is warranted.

119° 35' W

16.



LEGEND

- MAGNET METER SURVEY, 1975
- IP COVERAGE, 1975

SOURCE RIO TINTO CANADIAN EXPLORATION LTD.

SICINTINE MINES LTD. (NPL)

CK OPTION, CLEARWATER B.C.

GRID LOCATION MAP

AUG. 1975
REV APRIL 1976

SCALE
1" = 1/2 mi.

FIGURE 4.

51° 55' N

EXPLORATION POTENTIAL

During the 1974 and 1975 field seasons, exploration has been directed toward the location of zinc-lead mineralization on the CK Option. The size, grade and frequency of occurrence of sphalerite mineralized boulders suggests a strong possibility of a significantly large nearby source.

A reexamination of Rio Tinto's exploration results indicates first, that there are coincident geophysical-geochemical anomalies remaining to be tested, and second, that a significantly large area of the claims remains relatively unexplored by geophysical means.

S U M M A R Y A N D C O N C L U S I O N S

Sicintine Mines Ltd. (NPL) is currently negotiating an option on 99 full-sized mineral claims in the Kamloops Mining Division for Mr. A. Horne. A further 93 claims may be acquired from Rio Tinto.

The property is located near the Raft River, about 30 miles due northeast of the town of Clearwater, B.C. Access is by vehicle over 40 miles of well maintained logging road from B.C. Highway No. 5. The topography is moderately rugged; with relatively dense underbrush and secondary conifer forest covering most of the area.

The property was discovered and staked by Mr. Horne in September, 1973. An option was taken by Rio Tinto who conducted an airborne geophysical survey in January, 1974. During the 1974 and 1975 field seasons further staking, geological mapping, geochemical surveys and limited magnetometer, IP and EM-16 VLF

SUMMARY AND CONCLUSIONS (cont'd)

surveys were undertaken. In addition, 1,268 feet of diamond drilling were completed in 1974 and 1,185 feet in 1975. This work failed to locate significant zinc-lead mineralization in place and the option was terminated.

The claims are situated within the Shuswap Metamorphic Complex of metasedimentary gneisses and schists which are intruded by numerous pegmatite dykes and sills and by small irregular bodies of granitic rocks. Principal rock types identified on the property were quartz-feldspar-biotite and calc-silicate gneisses and schists cut by pegmatite dykes. Limestone, marble and quartzitic metasediments were noted. Massive, coarse-grained, cream coloured pegmatite appeared to predominate on the northernmost claims while gneissic rocks appear to predominate on the southernmost claims. Significant amounts of disseminated graphite, pyrrhotite and pyrite, which would affect the electrical and magnetic characteristics of the rocks, are common in certain gneissic sections.

Sphalerite mineralization was located during the course of mapping as disseminations in coarsely crystalline marble and as occasional narrow bands of massive sphalerite in gneiss and quartzitic sediments in both outcrop and float boulders. This mineralization is apparently stratiform and is similar to that described from other deposits in the Shuswap.

SUMMARY AND CONCLUSIONS (cont'd)

The results of the 1975 geophysical surveys indicated several narrow magnetic anomalies coincident with IP and EM-16 conductors and with zinc-lead geochemical anomalies. Three diamond drill holes tested these anomalies with essentially negative results. Graphite and pyrrhotite were found in holes 1 and 2; a short (3.5 feet) section of pyrrhotite with bands of sphalerite and galena was intersected in hole 3.

It is concluded that further work is warranted to complete the exploration of this property. A significantly large portion of the claim group remains untested, and existing geophysical anomalies which resulted from the 1975 work should be evaluated.

R E C O M M E N D A T I O N S

The following success—contingent exploration programme is recommended on the CK Option:

PHASE I: Evaluation, Geological-Geochemical-Geophysical Surveys, Bulldozer Trenching

1. Evaluation of Previous Exploration Results
Examination and evaluation of the results of all existing geophysical surveys should be carried out by an independent geophysical consultant.
2. Geological, Geochemical and Geophysical Surveys, Trenching
Limited induced polarization and detailed magnetometer surveys are required to test and further evaluate the area north of the original "float" discovery and within the area of the 1975 magnetometer survey. Reconnaissance geochemical and magnetometer surveys should be conducted over selected portions of the claim group which remain untested. If access and depth of overburden permit, bulldozer trenches should be dug in anomalous areas.

Estimated Cost of

PHASE I	<u>\$32,000</u>
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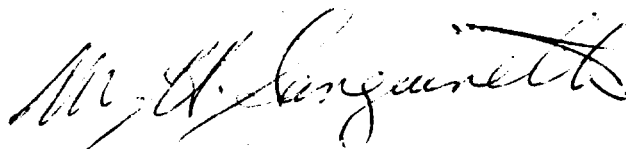
RECOMMENDATIONS (cont'd)PHASE II Diamond Drilling, Trenching

Contingent upon the success of Phase I, it is recommended that a programme of diamond drilling and bulldozer trenching be undertaken. A total of 5,000 feet should be reserved for this phase.

Estimated Cost of
PHASE II \$100,000

Respectfully submitted

CORDILLERAN ENGINEERING LIMITED



M. H. Sanguinetti, P.Eng.
Geologist

April 7, 1976
Vancouver, B.C.

APPENDICES

ESTIMATED COST OF RECOMMENDED EXPLORATION PROGRAMMEPHASE I Evaluation, Geological-Geochemical-Geophysical Surveys, Trenching

Field time: 1 month
Crew: 2 men
Contractors: Geophysical Contractor,
 Linecutters
 Bulldozer Contractor

SALARIES:

Sampler-fieldman	1 mo x \$1000/mo	.....	\$1,000	
Sampler-fieldman	1 mo x \$1000/mo	.....	1,000	
Geologist	15 d x \$175/d	.....	2,625	
	Overtime	.....	500	
	Benefits 17%	.....	375	\$ 5,500

FEES:

Management	100% of payroll	.....	2,500	
Geological Consulting	5 d x \$200/d	.....	1,000	
Geophysical Consulting	4 d x \$200/d	.....	800	4,300

SPECIAL SERVICES:

Linecutting	10 mi x \$225/mi	.....	2,250	
Geophysical Contracting: IP Survey	7 mi x \$600/mi	.....	4,200	
	mob/demob	.....	500	
Assays, Analyses	.....	.....	1,250	
Bulldozer Trenching, 10 hrs x \$50/hr	.....	.....	500	8,700

GENERAL EXPENSES:

Food supplies, 150 man days x \$10/d	.....	1,500	
Camp supplies and rental	.....	1,500	
Vehicle rental, fuel, repairs	.....	1,500	
Travel, accomodation	.....	1,000	
Claim rental, recording, licences	.....	4,500	
Maps, drafting, reports	.....	1,000	
Office, telephone, correspondence	.....	500	
Report preparation	.....	800	12,300
Sub Total	.....		\$30,800
Contingency	.....		1,200
TOTAL - PHASE I	.....		<u>\$32,000</u>

ESTIMATED COST OF RECOMMENDED EXPLORATION PROGRAMME (cont'd)

PHASE II: Contingent upon the success of Phase I,
a programme of 5000 feet of BQ/WL
diamond drilling may be warranted.

Estimated Cost of		
PHASE II	.....	<u>\$100,000</u>

CORDILLERAN ENGINEERING LIMITED



M. H. Sanguinetti, P.Eng.
Geologist

April 7, 1976
Vancouver, B.C.

SCHEDULE OF CLAIMS TRANSFERRED TO MR. A. HORNE

<u>NAME</u>		<u>RECORD NUMBER</u>	<u>DUE DATE</u>
CK	1-2	127072-73	October 19, 1978
	3-8	074-79	1979
	9	088	1978
	10	089	1977
	11	080	1978
	12	081	1977
	13	082	1978
	14-15	083-84	1977
	19-20	090-91	1977
	21-22	212-13	November 6, 1977
	33	224	1977
	34	225	1978
	35	226	1977
	36	227	1978
	37-38	228-229	1977
	39-41	230-32	1979
	42	233	1980
	43	234	1979
	44	235	1980
	45-46	236-37	1979
	47-48	238-39	1978
	49-52	240-43	1977
	61-68	128598-605	September 20, 1978
	69-72	606-09	1979
	73-76	610-13	1978
	77-80	670-73	September 30, 1979
RAFT	23-26	127286-89	November 28, 1979
	27-28	290-91	1980
	29-30	292-93	1978
	31-33	294-96	1979
	34	297	1980
ULO	1-4	128674-77	September 30, 1979
NORTH	26	128282	July 29, 1980
	28	294	1980
	39-46	295-302	1980
	53-56	309-312	1977
	57	313	1980
	58	314	1977
	59	315	1980
	60	316	1977
	61	317	1980
	62	318	1977
	63	319	1980
	64	320	1977
	65	321	1980
	67	323	1980

SCHEDULE OF CLAIMS AVAILABLE FOR TRANSFER
(Presently held by Rio Tinto Canadian Exploration Limited)

<u>NAME</u>	<u>RECORD NO.</u>	<u>DUE DATE</u>
		(all 1976)
CK	16-18	Oct. 19
	23-32	Nov. 6
	53-60	Nov. 6
RAFT	1-18	Nov. 14
	35-40	Nov. 28
NORTH	7-14	July 29
	21-25	July 29
	27	July 29
	29-38	July 29
	47-52	July 29
	66	July 29
	68-81	July 29
	83	July 29
	85	July 29
	87	July 29

REFERENCES

BECKMANN, H.:

- 1975: CK Option, ULO, Raft and North Claims, Clearwater, B.C., Report on Geophysical Surveys, Rio Tinto Canadian Exploration Limited.

BRITISH COLUMBIA:

Minister of Mines Annual Reports for the years 1959, 1961 and 1967-1970.

CAMPBELL, R.B.:

- 1963: Geology, Adams Lake (Seymour Arm, West Half) Map-Area, Geol.Surv.Can., Map 48-1963.

MULLAN, A.W.:

- 1976: Personal communication.

PALTSER, U.

- 1975: CK Option - North Claims, Clearwater, B.C., Geology and Diamond Drilling Programme, Rio Tinto Canadian Exploration Limited.

PETERSEN, D.B.:

- 1974: CK Option, Geochemical and Drilling Report on CK 1 - CK 60 and Raft 1 - Raft 40 Claims, Rio Tinto Canadian Exploration Limited, Assessment Report.
- 1974: CK Option, North and Peak Claims, Clearwater, B.C., Geochemistry, Geophysics and Drilling, 1974, Rio Tinto Canadian Exploration Limited.

SERAPHIM, R.H.:

- 1974: Report on the CK Claims, Raft River, Kamloops M.D., Private Report.

WHEELER, J.O.:

- 1965: Big Bend Map-Area, British Columbia, Geol.Surv.Can., Paper 64-32.

CORDILLERAN ENGINEERING LIMITED

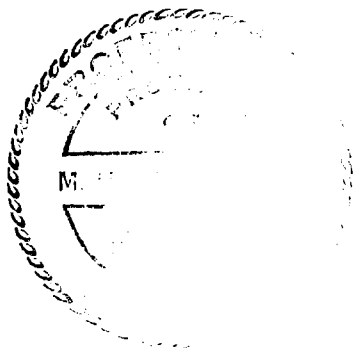
MINERAL EXPLORATION
MANAGEMENT AND
ENGINEERING CONSULTANTS

1418-355 BURRARD STREET
VANCOUVER, B. C.
V 6 C 2 G 8
TELEPHONE (604) 681-8381

WRITER'S CERTIFICATE

I, Michael H. Sanguinetti of Vancouver, British Columbia hereby certify that:

1. I am a geologist residing at 2208 West 35th Avenue, and employed by Cordilleran Engineering Limited of 1418-355 Burrard Street, Vancouver, B.C.
2. I am a graduate of the University of British Columbia, B.Sc., in 1965, and have practiced my profession since that time.
3. I am a member of the Association of Professional Engineers of the Province of British Columbia.
4. I am the author of this report which is based on an examination of public and private reports and files and a short examination of the property in October, 1973. Claim title was searched in the Vancouver recording office in April, 1976.
5. I hold no beneficial interest in the properties or securities of Sicintine Mines Ltd. (NPL) nor do I expect to receive any.



CORDILLERAN ENGINEERING LIMITED

Michael H. Sanguinetti, P. Eng.
Geologist

April 7, 1976
Vancouver, B.C.

Vermillion Lake Property	
Payment to Roy Gerald Newman	\$ 5,000
One-half of Phase I recommendations of Thomas Skimming in his report dated April 21, 1976	17,500
Raft River Property	
Payment to Andrew P. Horne	5,000
Working Capital	17,500
	<hr/>
Total	\$ 45,000
	<hr/>

ITEM 6 (Directors and Officers)

<u>Name and Address</u>	<u>Principal Occupation for Past Five Years</u>	<u>Position with Company</u>
William J. Coulter 3095 Marine Drive West Vancouver, B.C.	Mining Executive	President and Director
Allan G. Graham 1316 West 57th Avenue Vancouver, B.C.	Barrister & Solicitor Vancouver Office of Canadian Pacific Railway Co.	Secretary- Treasurer and Director
Bernard G. E. Guichon 1523 Grand Boulevard North Vancouver, B.C.	Supervisor, Lands, Rights- of-Way and Legal Surveys, Westcoast Transmission Co. Ltd.	Vice-President and Director

ITEM 10

The following beneficially own, directly or indirectly in excess of 5% of each class of issued shares of Canarim Investment Corporation Ltd.:

<u>Name and Address</u>	<u>Number</u>	<u>Percentage of Shares Held</u>
Alfred E. Turton 1 Lakeview Square North Vancouver, B.C.	24,119	54%
Peter M. Brown 424 Burrard Street Vancouver, B.C.	15,212	34%
Brian D. Harwood 424 Burrard Street Vancouver, B.C.	5,625	12%

ITEMS 12, 14, 15 AND 17

Goz Creek Area, Yukon Territory

By Agreement made as of the 10th day of January, 1974, the Company acquired from W. M. Bath Investments Ltd. of 1425, 355 Burrard Street, Vancouver, British Columbia, the following mineral claims located in the Goz Creek area near the Bonnet Plume River in the Mayo Mining District of the Yukon Territory:

C. Raft River Area, Clearwater, British Columbia

By Agreement (the "Horne Agreement") made as of September 26, 1975 between the Company, Action Resources Ltd. (N.P.L.) ("Action") of 1425 - 355 Burrard Street, Vancouver, British Columbia and Andrew P. Horne ("Horne") of R.R. #1, Chase, British Columbia, it was agreed that 12 claims consisting of 98 claim units located in the Raft River area, approximately 20 miles northeast of Clearwater, British Columbia, which were acquired as a result of a prospecting program carried out by Horne and financed by the Company and Action would be owned by the Company and Action each as to 50% subject to five per cent of net distributable cash from production to Horne and a bonus to Horne of up to \$45,000 from any drilling done in exploration of the property.

William J. Coulter is a director, officer and principal shareholder of the Company and also a director, officer and shareholder of Action.

By Agreement made as of May 20, 1976 between the Company and Action, Action assigned to the Company all its interest in the Horne Agreement and the property in consideration for \$4,361.12, representing Action's cost of exploration to that date, and \$250,000 to be payable to Action out of five per cent of the net proceeds from production from the property.

By Agreement (the "Bethlehem Agreement") made as of May 21, 1976 between Bethlehem Copper Corporation ("Bethlehem") of Suite 2100, Guinness Tower, 1055 West Hastings Street, Vancouver, British Columbia and the Company, the Company assigned to Bethlehem all its interest in the Horne Agreement and the property acquired pursuant thereto in consideration for:

- (a) exploration expenditures by Bethlehem on the property in the sum of \$200,000 of which \$25,000 must be expended by October 15, 1976, \$75,000 by December 31, 1977, \$150,000 by December 31, 1978 and \$200,000 by December 31, 1979;
- (b) payment to the Company of \$10,000 on December 31, 1976, \$10,000 on December 31, 1977, \$15,000 on December 31, 1978 and \$20,000 on December 31, 1979;
- (c) payment to the Company of \$1.00 for each foot of drilling in exploration of the property for the first 15,000 feet and \$0.50 per foot on the next 60,000 feet; and
- (d) 20% of net proceeds from production after Bethlehem has recouped the cost of acquisition, exploration and equipping the property for production.

In the event Bethlehem has not commenced production from the property by December 31, 1980 it is to pay to the Company on that day the sum of \$30,000 and thereafter \$3,000 on December 31st of each year until production is commenced or \$51,000 is paid, such sums to be recouped from future net proceeds payments.

By Agreement made as of May 20, 1976 the Horne Agreement was amended to provide that the Company would direct Bethlehem to pay directly to Horne the drilling bonus of \$1.00 per foot on the first 15,000 feet and \$0.50 on the next 60,000 feet, five per cent of the net proceeds from production and 25% of any advance net proceeds payable to the Company.

ITEM 4 (Use of Proceeds)

The purpose for which the net proceeds from the sale of the shares, in the sum of \$45,000, will be used is as follows: