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November 6, 1978

Nithex Exploration Ltd. (NPL)
404-470 Granville Street
Vancouver, B.C.

Attention - Mr. Marvin Sherman

Dear Sirs:

Re: Nithi Mountain Claims
Claim Sheet 93-F-15W
Fraser Lake Area, B.C.

The recently bulldozed trenches on the North Zone, Central Zone, N-W Zone, A-Line Showing (No. 1 Fr.) and the S-W Zone were examined on October 24-25, 1978. The locations and the sample results are shown on the map accompanying this letter report.

The five mineral zones are underlain by phases of the Topley Intrusions. In age from oldest to youngest, these intrusive phases are diorite, quartz-monzonite, granite-granodiorite. A brief description of each zone is as follows:

North Zone

Some 900 feet of trenching at about elevation 3,600 feet has exposed a pink-coloured, K-spar altered phase of the quartz monzonite. Several minor showings of quartz-molybdenite veinlets with pyrite were examined. Radioactivity was recorded in the trenched area and is considered to be about 2 x background with local readings in the vicinity of the quartz-molybdenite zones showing a higher count per second. No samples were taken.

A-Line Showing

(No. 1 Fr.)

About 60 feet of trenching was done on this zone at elevation 3,500 feet. A diamond drill intersection, below a rock trench showing quartz veinlets and molybdenite, was reported to have averaged 0.16% Mo over a core length of 43 feet. Radioactivity was noted at several localities along the trenched area. One grab sample was taken from the rock trench above the reported diamond drill hole intersection and the second from a zone of disseminated pyrite about one hundred feet to the north-east. The assay results were:

Grab #1 - 1.44% Mo
Grab #2 - Trace Tin (Sn)

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N-W Zone

The elevation of this zone is about 3,350 feet. A large amount of trenching has been done exposing a strong east-west trending and flat, south-dipping structure in granodiorite-diorite. Molybdenite and fine pyrite occur in close association with quartz-filled fractures and gossaned shears. The zone is exposed intermittently over an apparent width of some 100 feet. K-spar alteration is present. #3 grab sample was taken from the east trench and #4 grab from the trench some 150 feet to the west. The full width of this zone is not exposed and it is not possible to adequately surface sample the mineralization at the present time. More trenching is warranted on this zone. Radioactivity was recorded at several times background in this showing area. The assay results of the grab samples were:

Grab #3 - 0.179% Mo
Grab #4 - 0.117% Mo

S-W Zone

Trenching has exposed quartz monzonite under light overburden. Several small quartz-molybdenite veins were noted. One vein was opened up for 30 feet along a 065° strike and a 35° dip to the southeast. The assay result from a grab sample from this vein structure was:

Grab #5 - 0.312% Mo

Central Zone

Some 260 feet of trenching on this zone at about elevation 3,600 exposed a small northeast striking quartz-molybdenite vein. K-spar alteration is common in this showing. A grab sample gave:

Grab #6 - 0.241% Mo

It is recommended that more bulldozer trenching be done to open the N-W Zone which has real promise for developing a major zone of molybdenite mineralization. More bulldozer trenching is also proposed for the S-W and Central Zones. Each bulldozer cut appears to have opened new molybdenite mineralization in each of these showings.

All new work should be checked for radioactivity.

Respectfully submitted,

Donald W. Tully, P.Eng.

DWT/LA