

WINDERMERE EXPLORATION LTD. (N.P.L.)

REPORT TO SHAREHOLDERS

As related in the Report to Shareholders dated August 13, 1970, the attempt by the Company to test the downward projection of mineralization on the Bronson property by diamond drilling from the north face of Bonson Mountain was not successful. All three holes drilled were prevented from reaching the mineralized zone by an open fault structure which occurs in the footwall. The drilling difficulties created by this condition were compounded by permafrost.

Trenching, sampling and mapping of the Bronson claims and other properties confirmed, in the opinion of management, the excellent exploration potential of four properties held by the Company, including one which was discovered late in 1970.

Agreements have been reached with Canadian Superior Exploration Limited whereby that company will diamond drill the Bronson property from the south side of Bronson Mountain. A minimum expenditure of \$200,000 has been allocated for this program.

Canadian Superior Exploration Limited also will continue, on behalf of the Company, general exploration of the Racing River area and examination of its properties other than the Bronson and Book claims. A minimum expenditure of \$50,000 has been allocated for this program.

Particulars of the two agreements are summarized at the end of this report.

The following is a short summary of the Company's interests in the Racing River area:

The Bronson Prospect is located about 20 miles south of the Churchill Mine. It consists of a NE trending multiple vein system approximately 5,000' long.

Surface sampling has indicated 4 sections within the vein that have a total length of 2,900', an average width of 4.85' and an average grade of 5.4% Cu. In addition to this there is a zone of intense fracturing 150' x 300' heavily mineralized with chalcopyrite and bornite which has not been completely sampled.

The Fram Prospect is located at the headwaters of Gathto Creek about 50 miles southeast of the Davis Keays Mine. It was discovered by company prospectors in 1970. The discovery outcrop is 1,000' long. Based on 7 chip samples it has an average width of 6' and an average grade of 7% copper.

The Book Prospect is located adjacent to the Bronson property. The Book vein structure is approximately 6,000' in length. Fifty percent of this is exposed and mineralized with quartz, carbonate and chalcopyrite. The mineralized vein material has an average width of approximately 5' and averages 3% copper. The best outcrop is 400' long and 7.25' wide with an average grade of 6.2% copper.

The Meindl Prospect is located on the Toad River 10 miles southwest of the Davis Keays Mine. The principal mineralized zone is 1,200' long and the apparent control structure has been traced for 2,000' along strike. Twenty samples across a mean width of 3.8' averaged 6.5% copper.

General Exploration Targets

In addition to the prospects described above the Company has located 15 exploration targets in the Churchill-Racing River copper belt consisting of mineralized outcrops, and/or geochemical anomalies on which further investigations are warranted.

Agreements

Particulars of the Bronson and Racing River Agreements are as follows:

A. By agreement (the Bronson Agreement) dated March 15, 1971, the Company has granted to Canadian Superior Exploration Limited (hereinafter referred to as "Canadian Superior") the option to explore two groups of claims known as the Bronson and Book claim groups and to acquire a 70% interest therein by making a production commitment by December 31, 1974. The terms of the Bronson Agreement are essentially as follows:

(i) Canadian Superior commits to make exploration expenditures of at least \$200,000 prior to December 31, 1971 and in order to maintain its rights under the agreement to make a production commitment by December 31, 1974, Canadian Superior must make the following minimum cumulative exploration expenditures by the dates specified:

\$ 450,000 by December 31, 1972

\$ 900,000 by December 31, 1973

\$1,400,000 by December 31, 1974.

Deficiencies in exploration expenditures in any one year may be made up by Canadian Superior converting them into a commitment for the next following year or by paying Windermere 50% of the deficiencies. A deficiency in 1971 not exceeding \$50,000 may also be made up by purchasing shares of Windermere at \$1.25 per share.

(ii) After the aggregate amount of \$1,400,000 has been spent, or is committed to be spent, Canadian Superior has the right, until December 31, 1974, to make a commitment to place the property into production by December 31, 1976. The production date may be extended in the event copper prices decrease or taxes increase by more than 10% from estimates used in the feasibility study. If this commitment is made, Canadian Superior will have earned a 70% interest in the Bronson and Book claims.

(iii) In the event of termination of the Bronson Agreement prior to making the production commitment, Canadian Superior has the right, within 60 days of termination, to convert its exploration expenditures into shares of the Company at the rate of one share for every \$4.00 expended.

In the event Canadian Superior makes the production commitment, it has, in addition to receiving a 70% interest in the Bronson and Book claims, the right for 60 days after making such commitment to convert its exploration expenditures into shares of the Company at the rate of one share for every \$3.00 expended.

(iv) The proceeds of production will be shared 70% to Canadian Superior and 30% to the Company after pre-production expenses have been repaid. The interest of the Company is non-assessable and it is not required to participate either in providing exploration expenditures nor in providing financing required to place the Bronson and Book claims into production.

B. By agreement also dated March 15, 1971 (the Racing River Agreement), the Company granted to Canadian Superior the exclusive right and option to explore the Company's properties other than the Bronson and Book properties and, on behalf of the Company, to continue its exploration activities of the past two years in a designated area and to follow up the results thereof.

Under the Racing River Agreement, Canadian Superior commits to expend a minimum of \$50,000 prior to December 31, 1971, and has the option to make the following additional cumulative expenditures:

\$200,000 by December 31, 1972

\$368,000 by December 31, 1973

\$543,750 by December 31, 1974

\$743,750 by December 31, 1975.

Failure to make these expenditures by the dates specified terminates the agreement.

Expenditures made by Canadian Superior, pursuant to the Racing River Agreement, may at any time while the agreement is in force and effect and within 60 days of its termination be converted into shares of the Company as follows:

(a) in respect of the first \$50,000 expended, one share for each \$1.25 expended;

(b) in respect of the net \$150,000 expended, one share for each \$1.50 expended;

(c) in respect of the next \$168,750 expended, one share for each \$2.25 expended;

(d) in respect of the next \$175,000 expended, one share for each \$3.50 expended; and

(e) in respect of all additional monies expended, one share for each \$4.00 so expended.

All mineral claims located by Canadian Superior during the term of the Racing River Agreement will be owned by the Company and recorded in its name.

ON BEHALF OF THE BOARD

" JURGEN T. LAU, "
Secretary.

March 26, 1971