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December 12th, 1991

Kokanee Explorations Ltd.
104, 135 10 Avenue S
Cranbrook, B.C.
V1C 2N1

Attention: Jim Stypula

Dear Jim,

Minnova is seeking a joint venture partner to explore the area around one of BC's next major mining developments - the Stronsay deposit, formerly known as Cirque. Most recent published reserves for this Sedex deposit are 35.4 m tonnes of 7.9% Zn, 2.1% Pb and 48 g/t Ag. However, all indications are that this is now in excess of 50 million tonnes and it is known to have, like Sullivan, some very high grade zones within it.

Curragh Resources, the current owners, recently received approval from the BC Mine Steering Committee to proceed with construction of the mine. At the same time the government announced a commitment to spend \$37 million to upgrade infrastructure by way of improved road access, an upgraded airstrip and a new all-weather barge and related facilities on Williston Lake. This could start as early as the spring of 1992. There is little doubt that this will spark considerable exploration activity in the area.

The Cirque deposit has some similarities to Sullivan in it's setting, but is really more akin to the MacArthur River deposit in Australia and the Meggen deposit in Europe (see Table 1). It lies

TABLE 1 : SEDEX DEPOSITS

Deposit name	Tons	Cu %	Zn %	Pb %	Ag oz/ton	Au oz/ton	NSR/ton
MT ISA	97,460,000		6.30	6.90	4.350		\$64.21
MCARTHUR R.	209,000,000		9.50	4.00	1.310		\$68.82
SULLIVAN	170,500,000		5.70	6.60	0.200		\$48.88
FARO	63,360,000		4.70	3.40	1.050		\$38.22
RAMMELSBERG	24,200,000	2.00	19.00	10.00	3.500		\$170.53
MEGGEN	55,000,000	0.02	10.00	1.30	0.090		\$62.92
RED DOG	93,500,000		17.10	5.00	2.390		\$119.17
TYNAGH, IRELAND	9,460,000	0.58	5.50	7.00	2.360		\$61.93
SILVERMINES, IRELAND	14,190,000		6.80	2.60	0.730		\$48.13
NAVAN, IRELAND	76,890,000		10.10	2.60	0.320		\$66.70
HOWARDS PASS	137,500,000		5.40	2.10			\$36.75
JASON	17,050,000		6.60	7.10	2.300		\$60.95
TOM	17,270,000		7.00	4.60	1.430		\$55.56
CIRQUE	35,420,000		7.90	2.10	1.400		\$55.39
TOTAL TONS	1,020,800,000						
AVERAGE SIZE, GRADE	72,914,286	0.05	8.48	4.41	1.26		\$64.20

within the Gataga camp, one of four camps known to host Sedex deposits in the Selwyn Basin. The others are the Anvil camp (Faro), the MacMillan Pass camp (Tom, Jason) and the Howards Pass camp (Howards Pass). Of these only the Faro deposits have been mined, mainly due to access difficulties.

The Gataga camp was first discovered in 1973 by the follow up of stream sediment samples. During the subsequent four or five years a number of companies, acting alone and in consortiums, discovered at least 11 significant occurrences including Cirque. All discoveries were a result of conventional prospecting. We have so far identified 21 properties which were actively explored in the period 1973 - 1982. Of these, only 8 have ever been drilled and, excluding Cirque itself and one other property, only 58 holes totalling less than 70,000 feet exist. **This is a very high potential, vastly underexplored belt of rocks.**

Minnova has access to a large amount of data, much of it not generally available, with which to evaluate properties in the area. This includes a recent airborne survey. We are also currently undertaking a study of similar ore hosting environments elsewhere in the world using data that, to our knowledge, no other North American company has in its possession. The product of this study will be an integrated geological - geophysical - geochemical model for sedex deposits in this geological environment.

Our approach would be to further evaluate all available data during the coming winter, tie up a few core properties by option agreements and evaluate these and other opportunities on the ground during 1992. More advanced properties would be drill tested in 1992 while others are developed for future drilling.

An incoming partner would be required to provide \$3 million for exploration over a three year period (the 1992 budget would be at least \$500,000). For this they would earn a 50% interest in any properties acquired in the area.

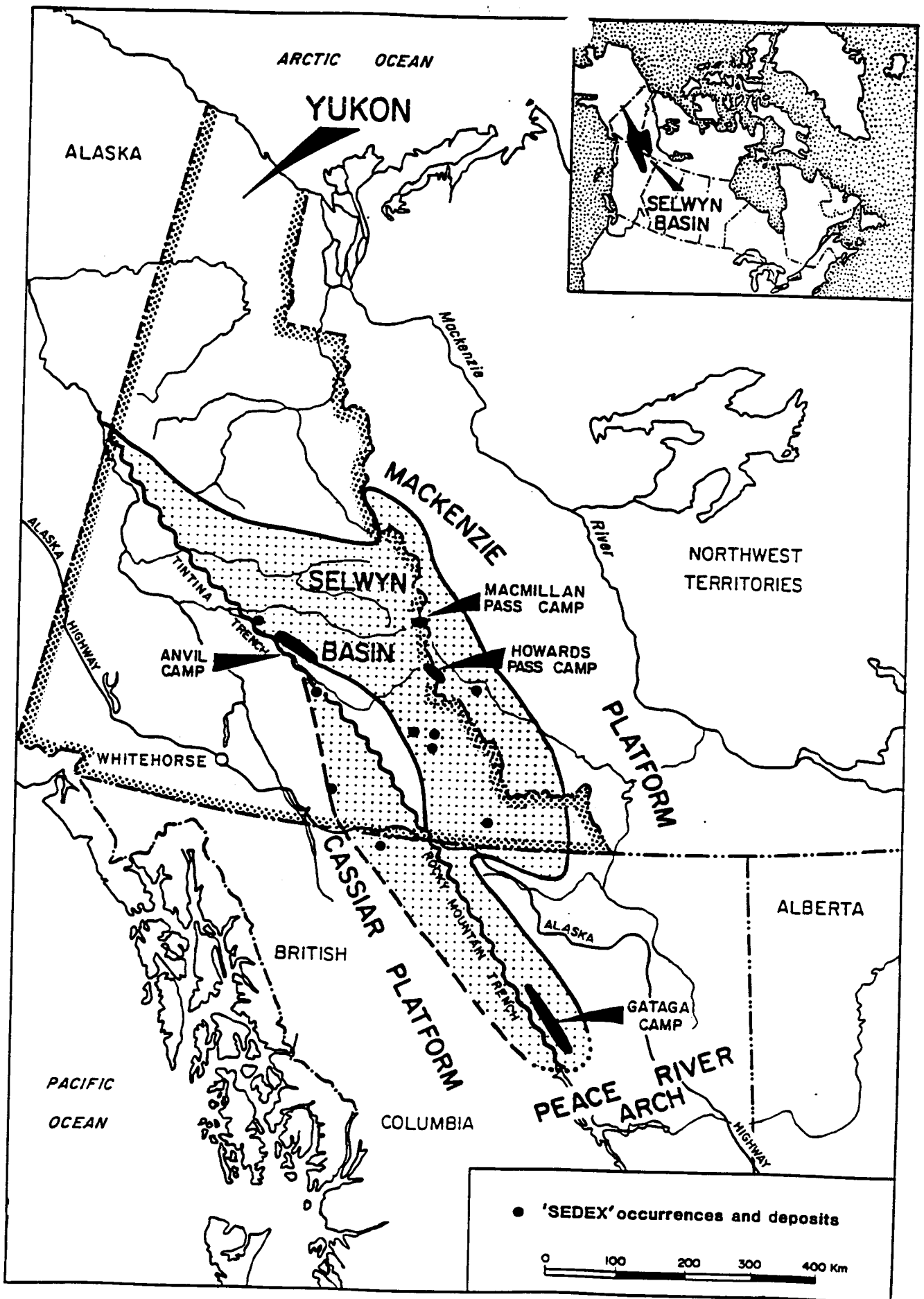


Figure 7: SEDEX mineralization in the Selwyn Basin
 (from Carne and Cathro, 1982)

Minnova would operate and provide:

- technical expertise
- a well trained and highly motivated staff
- a proven success record in syngenetic massive sulphide exploration
- an extremely cost efficient exploration approach which would include a high percentage of drilling
- the financial and technical ability to develop discoveries

Upon completion of the initial \$3 million expenditure, costs would be shared according to the partners relative interests.

We feel strongly that the Gataga camp will become one of BC's premier mining districts in the 1990's and beyond. Almost without exception, mineralized basins of this type throughout the world have proven to host clusters of world class deposits. Cirque is the first one in this camp, but it may yet prove to be only the baby of the district.

This is an opportunity to "beat the rush" and have the pick of the properties in the area. Many of these have had only cursory prospecting and may still have deposits awaiting discovery on surface. Most have never had a drill hole. With modern day integrated exploration we expect to be able to rapidly develop quality drill targets with an excellent chance of early success.

If you are interested in participating in this exciting project, please give me a call. The terms outlined above are all negotiable. We would be happy to explore alternative approaches that may suit you better.

Yours truly,

A handwritten signature in cursive script, appearing to read "Ian", positioned above a horizontal line.

Ian D. Pirie
MINNOVA INC.