

25
6m statement
250
Kerr 338

CN 21-200000
700

Kenice - Co. ...
- we own it (understand)
at 110 ...
Chert ...
account to ...

8-11 = 1/2
Shares: 8
83

KERR ADDISON MINES LIMITED
Vancouver Office

MEMO TO: Peter Bojtos
FROM: Ray Dujardin
SUBJECT: Great Western Project, Nelson, B.C.
DATE: August 18, 1988

822816

As mentioned in the July monthly report, we are now concentrating on exploration acquisition efforts in the volcanic terrain of Rossland Formation in southern B.C. Three specific areas (see map attached) have been selected after 2 years of field work:

- Rossland Block: South Group (Inland)
: Monte Cristo & Crown Point (Sulphurets)
: Others (Cominco et al)
- Velvet Mine Block : Velvet Mine (Inland et al)
- Nelson Block : Great Western (Lectus)
: Star Property (U.S. Borax/Lectus)

Fred Daley's summary report and program proposal on the Great Western are attached. The terms and conditions I wish to propose are outlined below:

1. Lectus has consolidated the ground position through seven individual agreements on seven individual claims holdings. I have reviewed all of the agreements.
2. Obligations to the underlying owners are:

(a) Interests

- (a) Asarco : 49% participating interest (very unlikely) or
-10% net profits interest.
- (b) Bourdon: 1% N.S.R. with \$1 1/2 million end price.
- (c) McDonnell et al: 4% N.S.R. on the first \$1 million revenue
2% N.S.R. on the next 5 million revenue
1% N.S.R. thereafter.
- (d) Palmer: \$35,000 and 30,000 shares.
- (e) Palmer/Addie: Same royalty as (c)
- (f) Labelle et al: Same royalty as (c)
- (g) M.A.F.: Same royalty as (c)

100,000

Stat Op
bm
250,000
1.8M

(b) Option Payment Schedule:

(\$000's)

Year	Bourdon	McDonnel	Palmer	Palmer/Addie	Labelle	M.A.F.	Total
1988:	6 (Jan)*	12 (June)*	15 (Jan)*	20 (Nov)	14 (Nov)	5 (Feb)*	72
1989:	10 (Jan)	12 (June)	15 (Jan)	25 (Nov)	14 (Nov)	-	76 ³⁸
1990:	-	12 (June)	-	30 (Nov)	14 (Nov)	-	56 ²⁸
1991:	-	12 (June)	-	-	14 (Nov)	-	26 ¹³
1992:	-	12 (June)	-	-	14 (Nov)	-	26 ¹³
1993:	-	12 (June)	-	-	14 (Nov)	-	26 ¹³
1994:	-	12 (June)	-	-	14 (Nov)	-	26 ¹³
1995:	-	-	-	-	14 (Nov)	-	14 ⁷

*paid

(c) Share payment schedule (Lectus): (\$000's)

Year	Bourdon	Palmer	Palmer/Addie	M.A.F.
1988	6	10	50	100
1989	10	15	50	-
1990	-	-	50	-

(d) Cumulative work schedule:

(\$000's)

Year	McDonnel	Palmer/Addie	Labelle	Cumulative Total
1988	90	20	20	130
1989	190	90	50	330
1990	340	190	100	630
1991	650	190	150	990
1992	650	190	200	1,040

3. Kerr/Lectus deal:

(a) Kerr has option to earn 55% interest in the above agreements and claims by spending \$1,000,000 over 4 years with a commitment to spend \$250,000 by September 1, 1989.

(b) Kerr will make the \$20,000 and \$14,000 payments due in November, 1988 on the Palmer/Addie and Labelle agreements. All other payments in 1989, 1990 and 1991 to be shared by Kerr/Lectus on a 55/45 basis. *15% admin*

(c) On Kerr earning its interest a joint venture will be formed with Kerr as Operator. Each party must contribute pro rata to budgets or get diluted - if a party reduces to 20% its interest reverts to a 20% its interest reverts to a 10% net profits interest.

(a) Kerr purchases 1,000,000 shares at 25¢/share with warrants attached until the

250,000
34,000

9

6m

bill paid off to date \$150,000
spent 60 of 250,000
CMP.

(d) Kerr to get options on Lectus shares as follows:

200,000 at 0.50 by Sept. 1989	25¢	30
200,000 at 0.75 by Sept. 1990	50¢	55
200,000 at 1.00 by Sept. 1991	75¢	80

(e) Right to back into the U.S. Borax/Lectus deal next door if U.S. Borax loses interest.

Fred has proposed a large budget for the property but I think we can extend the work over a longer time frame.

Written in haste in an attempt to FAX this to you today. Intersections on the adjoining U.S. Borax have made this a "hot area" and we had better act quickly or not at all!

R. A. Dujardin
R. A. Dujardin

~~200,000~~ \$ 200,000 60/40

250,000

Payments

Contingency flow thru arrangement

74

34 to get

rights offers to current shareholders w/d + warrant

incl 12% overhead
Includes everything

Introduction

Lectus Developments Ltd. holds over eighty claim units and Reverted Crown Grants in the Rossland Volcanics, 6 km southwest of Nelson, B.C. These are collectively known as the "Great Western Project".

The claims are presently split into 2 "packages". These are:

1. "Giveout Creek - Toughnut Property". presently held by Lectus with geophysical and geochemical surveys pending. 1987 drilling totalled 21 holes.
2. "North Giveout Creek Property" presently under 51-49% joint venture with Asarco but not being worked.

At this stage, Lectus is looking for someone to option-joint venture the 2 properties and, possibly, work towards earning an interest in the "Star Property" held by U.S. Borax immediately adjacent to the west.

The present exploration target is bulk mineable, low grade gold mineralization associated with pyritic volcanics of the Rossland Formation. Drilling by Lectus and U.S. Borax supports this model as indicated by the intersections below.

DH 87-3	38 ft	.148 oz/t Au
with	3 ft	1.7 oz/t Au
DH 87-10	21 ft	.23 oz/t Au
with	6 ft	.73 oz/t Au
DH-S3	120 ft	.09 oz/t Au
with	20 ft	.221 oz/t Au
DH-S5	155 ft	.126 oz/t Au
with	20 ft	.72 oz/t Au

Kerr's examination of the "Giveout Creek" area in 1987 indicates there may also be volcanogenic massive sulphide potential on the claims. An extensive pyritic bi-modal volcanic sequence (now quartz sericite and quartz chlorite schists) shows local Cu-Zn mineralization in massive sulphide "stringers" and sulphide cemented breccia. The massive sulphide potential has not been tested as all current exploration is directed at precious metals.

Grid construction on the "Giveout Creek" property totals roughly 60 line km, 30 km of which were established in 1987 and covered by an I.P. Survey and soil geochemistry. Coincident I.P. and gold-soil anomalies were trenched and diamond drilled with 21 holes. Significant intersections are appended.

Kerr Addison has been active in the Nelson area for 2 years. We propose to acquire an option on the "Giveout Creek - Toughnut" property of Lectus Developments. Over the next several years, Kerr will systematically evaluate both the significant precious metal potential and the as yet untested massive sulphide potential.

The 1988 program will include substantial surface work in preparation for drilling. The program will include, 25 line km of additional grid construction, a MAG Survey over the entire 60 km grid, a VLF (horizontal loop) survey over the entire grid, a substantial trenching program (outcrop averages <5%), and a thorough detailed mapping, sampling and rock lithochemical program.

Because previous drilling indicates a partial structural control to gold distribution, a certain amount of emphasis will be given to a detailed structural analysis of the volcanic sequence.

The 1988 program will require a budget of \$150,000 as detailed below. The time frame would be 2-2 1/2 months prior to any drilling. An experienced field crew will be assembled from present personnel.

PROPOSED 1988 "LECTUS" PROGRAM

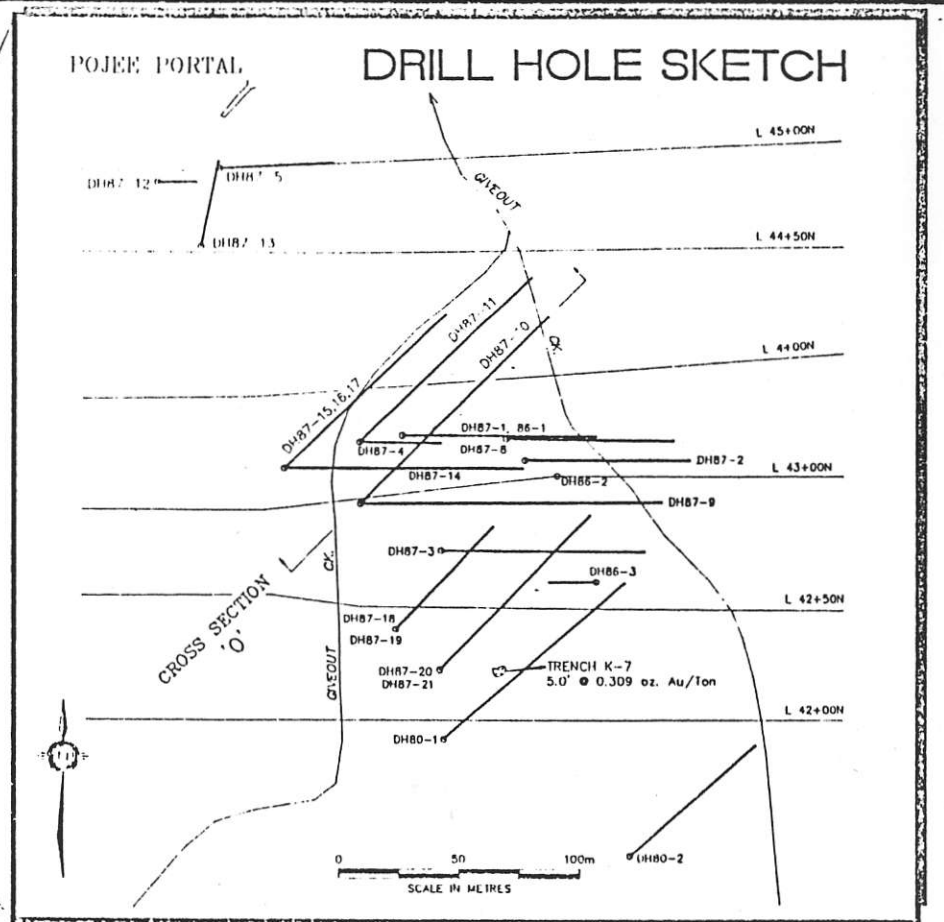
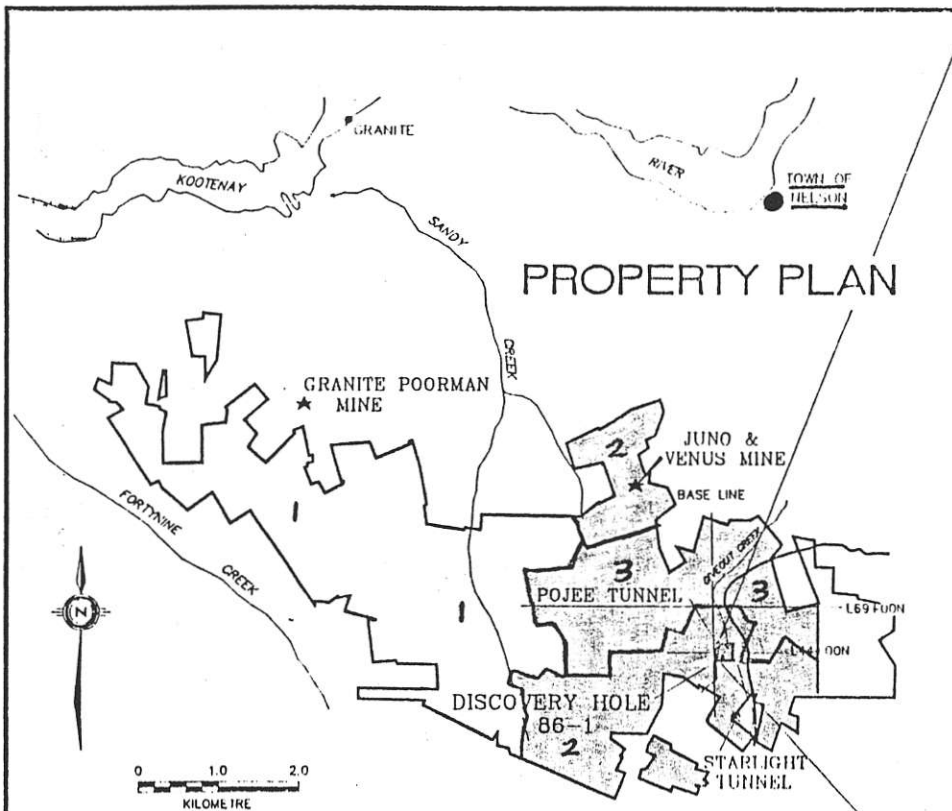
PHASE I (Mid August - end October 1988)

Grid Construction	30 km @ \$375/km	11,250
MAG Survey	60 km	
1 man	20 days x \$250/day	5,000.
EM (loop)	60 km	
2 men @ \$325/day	20 days x \$325	6,550.
Trenching		
	20 days x \$1000/day +(\$3000*)	23,000.
2 man crew (all incl.)	60 days x \$650/day	39,000.
Assays (32/I.C.P. + Au)	500 x \$19/ea	9,500.
Geochem (soils)	2300 x \$15/ea	34,500.
(*Mobilization - demobilization charge)		
Report Preparation, Drafting		<u>19,000.</u>
	Sub-total	138,750.
	10% contingency	13,000.
	PHASE I TOTAL	\$151,750.

PHASE II (Nov 1988 - Feb 1989)

Drilling (core)		
20,000 ft on Phase I Priority Targets		
20,000 ft @ \$20/ft (all incl)		\$400,000
Assaying 1500 samples x \$20/ea		30,000
Report preparation, Drafting, Computer Time (etc)		20,000
	PHASE II TOTAL	\$450,000

TOTAL PHASE I and PHASE II \$600,000



HIGH GRADE ASSAY RESULTS

WITHIN THE TYPE A HIGHER GRADE ZONES, MINEABLE WIDTHS OF HIGH GRADE HAVE BEEN ENCOUNTERED:

DH. No.	WIDTH IN FEET	oz/ton GOLD	DH. No.	WIDTH IN FEET	oz/ton GOLD
DH86-1	5.6	0.469	DH87-4	0.3	0.650
	1.7	0.248	DH87-6	0.2	0.594
DH87-1	0.6	0.364	DH87-9	1.9	1.154
	6.7	0.300	DH87-10	6.2	0.730
DH87-3	1.3	0.274			
	3.5	0.142			
	2.0	0.577			
	2.8	1.715			
	1.0	0.523			
	0.7	0.178			
	0.5	0.214			
	1.2	0.476			
	1.0	0.206			

THESE GOLD GRADES CONFIRM THE POTENTIAL OF A HIGH GRADE DEPOSIT.

- 1 U.S. BORAX OPERATIONS
- 2 LECTUS DEV.
- 3 LECTUS-ASRAC JV.

LECTUS DEVELOPMENTS LTD.

GREAT WESTERN PROJECT
DRILLING RESULTS

FEBRUARY, 1988