

822937

PROPOSAL FOR 1988 ROSSLAND PROJECT

KERR ADDISON MINES LIMITED

March, 1988

by

Fred Daley, M.Sc.

Proposal for 1988 Rossland Project

Inland Au-Ag Resources Ltd. has presented Kerr Addison with an opportunity to acquire an interest in their "South Belt" claims in the Rossland Mining Camp. The location of the Inland Claims is shown in blue on the attached Figure 1.

Also shown on Figure 1 is the local geology in the Rossland District. The 4 main formerly producing mines are shown with green dots, along the north contact of the Rossland Monzonite (RM). The Inland Claim holdings cover portions of the southern contact of the Rossland Monzonite with the Rossland Volcanics (RV).

The mylar overlay shows, what I perceive to be, the 5 priority areas for land acquisition in the Rossland Camp. This priority rating is based on limited field examinations, a moderate amount of reading on the historical geological data, and utilizing an exploration model that ties the Rossland Cu-Au veins to a deeper, as yet unexposed, mineralized hydrothermal system.

Figure 2 (attached) shows the proposed evolution of the Willa Deposit (also in Rossland Volcanics). The exploration model proposed here is that the present day "Rossland Camp" Cu-Au veins are "high level" and related to a deeper source. If we look at the central section of cartoon "D" and re-orient the section to N-S, looking West, along the Rossland Break, some similarities are recognizable.

- The Rossland Monzonite occurs along the axis of the Rossland Break.
- The Red Mtn. moly (BRxx) deposit North of Rossland occurs at one of the breccia apophyses.
- The Rossland Vein Systems, related to the multi-phase intrusive history, can realistically occur over considerable vertical ranges. An important corollary to this point is that, depending on where you are vertically in the system, you may quite conceivably get different vein mineralogies and an overall "mineral zonation", as shown in the mylar overlay for cartoon D.

The formerly producing mines north of Rossland were dominantly Cu-Au. Veins south of Rossland are more commonly Pb-Zn-Ag-Au. It is proposed that these "base metal" veins on the south contact of the Rossland Monzonite represent a different "level" of mineralization and that at depth, these veins will become more Cu-Au dominant. There are, from old reports, several showings on the south side which have Cu-Au mineralization similar to the formerly producing mines to the north (e.g. Crown Point, Deer Park).

The priority rating system is based on:

- Area 1: Proximity to the formerly producing mines, multiple stage intrusions, stockwork moly mineralization, brecciation, and possible increase in vein and fracture density with depth.
- Area 2: Abundance of old prospects with Pb-Zn-Au-Ag veins, minor prospects with Cu-Au mineralization, vein and fracture strikes of several 100's of meters, recent exploration successes (B & B Mining with drill intercept of 8 oz/t Au).
- Area 3: North-east margin of Rosslund Monzonite; multi-phase intrusive history (Trail Pluton, Rosslund Monzonite, Coryell Intrusions), Tertiary age intrusions.
- Area 4: Along the axis of the "Rosslund Break" (see Figure 1, Geology), several old prospects within the Rosslund Monzonite.
- Area 5: Along the extension of the "Rosslund Break", several old Au prospects, multi-phase intrusive history (Paleozoic ultramafics, Mesozoic quartz feldspar porphyry Tertiary syenite), and coarse clastic flows.

The ground presented by Inland Au-Ag Resources Ltd. covers a substantial amount of one of the priority areas. Other claim holders in the immediate area are Antelope Resources (to the north) and Gunsteel Resources (to the South).

Inland and Antelope are currently involved in a legal action to determine ownership of several key claim units. It is the opinion of Inland's lawyers that they will retain ownership of all of their claim holdings and may, through the courts, gain ownership to the Antelope claims. Inland's lawyers will be forwarding a legal opinion to Kerr Addison very shortly.

Initial discussions with Eric Godfreyson, Director of Inland, indicated they would be willing to have Kerr Addison as a partner in an exploration program in the Rossland Camp. It was made very clear to Mr. Godfreyson that Kerr's continued involvement was conditional on a favourable court ruling in Inland's behalf and therefore retaining all their claims. A model framework for a possible option arrangement was discussed with Mr. Godfreyson and is summarised below:

For Kerr Addison to acquire a 65% interest:

- i. \$10,000 cash upon signing option agreement, again, providing Inland retains clear title to their claims.
- ii. Escalating yearly cash payments:

First year	\$10,000
Second year	20,000
Third year	20,000
Fourth year	25,000
Fifth year	45,000

TOTAL \$120,000 over 5 years.

- iii. Escalating yearly work commitments:

First year	\$170,000
Second year	330,000
Third year	500,000
Fourth year	800,000

TOTAL \$1.8 million

- iv. Details to be discussed

- Buy out clause
- NPI, retained interest, etc.
- Dilution clause.

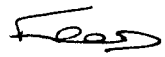
PROPOSED 1988 PROGRAM

i.	2 man crew for 4 months in Rossland 125 days @ \$500/day all incl. Wages, food, accomm, vehicle, gas	\$62,500
ii.	1 month trenching program 30 days @ \$1000/day	30,000
iii.	Geochem. Assays 500 @ \$20 each Soils 1500 @ \$12 each	10,000 <u>18,000</u> 28,000
iv.	Contract Work. a. Blasting b. Geophysical Surveys (MAG,VLF) c. Line Cutting, grids	15,000 15,000 <u>20,000</u> \$50,000
	TOTAL	\$170,000

With a first year cash payment of \$10,000 and a 1988 work program of roughly \$170,000, the total of \$180,000 approximates the 1988 budget for the Rossland Project.

RECOMMENDATION:

If Inland Au-Ag Resources retains free title to their claims, Kerr Addison should acquire an option on the "South Belt" property. The property is well located geologically, has exploration potential in light of our proposed model, and a viable \$180,000 first year program is in line with the 1988 Rossland Project Budget.


Fred Daley