KERR ADDISON MINES LIMITED
SUITE 703 · 1112 WEST PENDER STREET
VANCOUVER, B.C. V6E 2S1
PHONE 682-7401

823166

March 4, 1981.

Grenoble Energy Limited,
1255 - 555 Burrard Street,
Vancouver, B.C.
V7X 1J6.

Dear Sirs:

Re: Lexington Property

This letter is confirmation of our discussion this morning which concerned terms of an agreement which would allow Kerr Addison Mines Limited (Kerr) to earn a 60% interest in the claims held by Grenoble Energy Limited (Grenoble) in the Greenwood area of British Columbia.

The following terms were agreed to verbally and these terms will form the basis of a more formal agreement to be prepared:

1. Kerr agrees to spend $150,000 on surveying, diamond drilling and assaying on the claims by May 31, 1981, provided that no unforeseen delays occur.

2. Grenoble will state that there are no encumbrances on the claims and no commitments to the claim owners other than those stated in the Statement of Material Facts issued by Grenoble and dated October 30, 1979. Grenoble also confirms that the claims listed are in good standing.

3. During the currency of the Kerr-Grenoble option agreement, Kerr agrees to assume the option payments to the claim holders within the terms of the various agreements held by Grenoble.

   Kerr agrees to keep the claims in good standing during the currency of the Kerr-Grenoble option agreement.

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4. Kerr may elect to terminate the agreement after expenditure of the $150,000 on exploration work.

5. If Kerr elects to proceed with further exploration work after May 31, 1981, Kerr will commit to an additional expenditure of $150,000 during the period ending December 31st, 1981. If Kerr completes a total work expenditure of $300,000 in 1981, then Grenoble will issue to Kerr 100,000 shares of Grenoble treasury stock. Kerr will have the right to continue work on the claims on the following schedule in order to keep the agreement in good standing.

Year	Work Expenditure	Shares Issued to Kerr
1982	350,000	100,000
1983	400,000	100,000
Add 1981	300,000	100,000
	$1,050,000	300,000

6. On completion of the above expenditures, Kerr will have earned a 60% interest in the claims. If a positive and favourable feasibility report can be prepared as a result of this work and other studies, Kerr and Grenoble will proceed to finance the project to production on a 60/40 basis (60% Kerr, 40% Grenoble). If Grenoble declines to participate in the financing then Grenoble's interest will become a 15% net profits interest and Kerr will own the claims as to 100% of Grenoble's interest or Kerr may finance Grenoble's share of pre-production costs on a banking basis. Any such financing by Kerr on behalf of Grenoble will be repaid to Kerr first out of 100% of net operating revenues.

7. Kerr will be operator of the project at all times unless Kerr declines to operate.

8. Exploration results will be the subject of public news releases on a regular basis. It is not Kerr's intent to release less than the complete assays for one drill hole. Timing of news releases will be arranged by mutual agreement.

SIGNED AND APPROVED:

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Grenoble Energy Limited.

Dated: March , 1981

SIGNED AND APPROVED:

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D.A. Lowrie,
Vice-President, Exploration,
Kerr Addison Mines Limited.

Dated: March 4, 1981.

KERR ADDISON MINES LIMITED
SUITE 703 - 1112 WEST PENDER STREET
VANCOUVER, B.C. V6E 2S1
PHONE 682-7401

February 6, 1981.

The Board of Directors,
Grenoble Resources Ltd.,
#1015 - 470 Granville Street,
Vancouver, B.C.

Gentlemen:

Pursuant to a meeting on December 4, 1980 between Pat Bowes and Rudy Nosalek representing Grenoble Resources and Dave Lowrie and myself representing Kerr Addison and to a subsequent meeting on February 4, 1981 between Mr. E.E. Weisbrod and Mike Bowes of Grenoble, we submit herewith a tentative proposal for a joint venture agreement between Grenoble Resources and Kerr Addison.

In essence, Kerr Addison would assume all pre-production costs including payments to various property vendors as indicated in the 1979 Grenoble prospectus. Should a production decision ensue from this work, production costs would be borne 60% by Kerr Addison and 40% by Grenoble Resources. In the event the participants agree that Kerr would finance Grenoble's portion of the production costs, Kerr would then recoup that cost from 100% of earnings and would recoup its own costs from 90% of earnings.

For its pre-production expenditures, Kerr would have the option to take down Grenoble shares in accordance with the following schedule of work:

Year 1	$250,000	100,000 Shares
Year 2	$300,000	100,000 "
Year 3	$400,000	100,000 "
Totals	$950,000	300,000 Shares

In our tonnage calculations for the Lexington deposit, possible reserves approximate drill proven reserves and our primary exploration goal would be to do sufficient drilling from surface to bring the possible reserves into proven category. The deposit would then have been drilled at 100 ft. centres.

We recognize that the locations of the ore intercepts of previous drill holes were not determined accurately. Consequently our drill holes will have to be carefully surveyed and carefully monitored to maximize control.

If we succeed in establishing the continuity of the ore zone with the fill-in program, the project is off and running and work would continue without interruption. We would like however, to be able to terminate our work at the end of the fill-in drill program if we fail to establish continuity. We do not know the precise cost of the drilling and other studies attendant with the program but a minimum of 5 holes would be required and no equity would be earned by Kerr until costs have reached $250,000. By the same token if this work succeeds, we may well spend in excess of the proposed $250,000 in the first year. In all probability a cross-cut to the centre of the deposit together with a ramp paralleling the deposit would be required both from an exploration and development stand-point.

It would be Kerr Addison's intent to develop the Lexington Property with the greatest of dispatch and in a manner that would prove rewarding to both Grenoble and Kerr. Toward that end we would be pleased to carry on additional discussions with your representatives or consultants at any time.

Yours very truly,

W.M. Sirola,
Regional Exploration Manager.

WMS/al:

c.c. D.A. Lowrie,
Vice-President, Exploration.

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To File **From** W.M. Sirola

Subject Grenoble Resources, Lexington Property
Greenwood Area, B.C. (82-E)
ECONOMICS

Date February 3, 1981.

Dave Lowrie made the following calculations on December 4, 1980 based on Fred Chow's ore reserves:

PROVEN ORE RESERVE
222,000 tons averaging 1.22 copper and 0.176 ozs. of gold.
The recoverable value of the proven ore is:

Copper	- 24 lbs. x 0.80 x 70¢	= $13.44
Gold	- 0.176 x $600 x 90%	= $95.00
	Total	=$108.44

PROBABLE ORE RESERVE
70,000 tons at 1.31% copper and 0.18 ozs. of gold.

NSR of copper content	- 26 lbs. x 0.8 x 70¢	= $ 14.50
Recoverable value of gold content	- 0.198 x $600 x 0.9	= $107.=
Total		= $121.56

POSSIBLE ORE RESERVE
191,000 tons at 1.31% copper and 0.187 gold.

NSR of copper content	- 26 lbs. x 0.8 x 70¢	= $ 14.56
NSR of gold content	- 0.187 x $600 x 0.9	= $101.=
Total		$115.56

Mill Capacity
The milling rate per annum for 483,000 tons total reserves to be mined over a four year period would be 120,750 tons. Daily tonnage would be 120,750 ÷ 350 = 345 tpd.

Operating Cost
Mining $30 per ton using last hole drilling and shrinkage stoping;

Milling $10 per ton.

Total operating cost $40 per ton.

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KERR ADDISON MINES LIMITED

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To File *From* W.M. Sirola

Subject Grenoble Resources *Date* February 3, 1981.

Economics

Value of Production

Proven reserves	- 222,000 tons at $68.= per ton	= $15,000,000
Probable reserve	- 70,000 tons at $81.= per ton	= $ 5,670,000
Possible tonnage	- 191,000 tons at $75.= per ton	= $14,300,000
	Total value of all reserves	= $34,970,000

483,000ᵗ av. $72.65/ton.

Capital costs

$10,000,000.=

Interest costs

Year 1	- $5,000,000 at 14%	= $ 700,000
Year 2	-$10,000,000 at 14%	= $ 1,400,000
Year 3	- $5,000,000 at 14%	= $ 700,000 *
	Total interest costs	= $ 2,800,000
	Cost of capital plus interest	= $12,800,000.

Pay out period

1.5 years.

W.M. Sirola,
Regional Exploration Manager.

WMS/al:

* Construction presumably complete at end of 2 years by which time Bank is owed $10,000,000 in capital and $2,100,000 in interest for a total of $12,100,000. For repayment during the 3rd year is $7,100,000 then balance on which interest must be paid is $5,000,000.

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To File *From* W.M. Sirola

Subject Grenoble Resources, Lexington Property, Greenwood Area, B.C. (82-E) *Date* February 3, 1981.

On December 4, 1980 Dave Lowrie and I met with Pat Bowes and Rudy Nosalek to discuss a possible option agreement on the Grenoble Property. The term set forth by Dave Lowrie were as follows:

Year 1 - Kerr agrees to work a commitment of $250,000 and has the option to take down 100,000 shares of Grenoble.

Year 2 - Kerr expenditures $300,000 with 100,000 share option.

Year 3 - Kerr expenditures $400,000 with 100,000 share option.

If exploration work justifies production then the cost of production would be split 60% Kerr Addison and 40% Grenoble. Kerr may elect to finance Grenoble share of cost in which case the pay back to Kerr of Grenoble's portion of cost would come out of 100% of earnings. The pay-back of Kerr's portion of cost would come out of 90% of earnings.

Kerr Addison would also assume the payments to the various property vendors.

W.M. Sirola,
Regional Exploration Manager.

WMS/al:

For Bill Sirola.

North of the Border

	2,000	cash.		
	4,000	end of	6	months
10	4,000	"	" 12	months.
10	10,000	"	" 18	months
20	20,000	"	" 24	months
20	20,000	"	" 30	months
40	40,000	"	" 36	months
100	50,000	"	42	months
	50,000	"	48	months.
	200,000			

or out of 10% NSR if that is greater via production until $200,000 is paid

+ 5% Free carried interest
$50,000 1st year work commitment
100,000 2nd " " "
100,000 3rd " and continued
100,000 4th " " "

South of the Border

20% Free carried interest

10,000 cash.
10,000 within 12 months
20,000 per year thereafter with 'Cola' clause

______ work commitment per year
Hallauer land problem.

LEXINGTON Dec 4/90
Discussion with
P Bowes +

Year
1 Kerr commits for $250,000 work

Kerr has option to take down 100,000 sh

2 Commits 300,000

100,000 sh

3. 400,000

100,000 sh

If Kerr brings to production then
the split is 60/40 Kerr/Lex.
Kerr may elect to finance Lex
pay back to Kerr of Lexington
position out of <u>100% of money</u>
then pay back to Kerr out of <u>*90%</u>
of income.

Payments required are additional.

* 60% debt retirement, 30% interest

Lexington

(1) Should not ~~pre~~ pre costs through feasibility be limited to 950,000. If not, do we take down more shares for any additional money.

(2) If costs exceed 950.000 do we share all costs exceeding that even if these are feasibility costs?

(3) My assumption was that all drilling ~~+~~ from surface or from an underground ramp or trench would be classed as pre feasibility.

(4) Feasibility as we think of it includes all the necessary exploration, environmental studies, + mining methods, + metallurgical studies. If all these factors are deemed favorable, the project is feasible

(5) After feasibility Kinross Grenoble would share any development + stope preparation required for mining plus all construction and power + water costs attendant with production.