

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

823192

To D.A. Lowrie From W.M. Sirola

Subject Grenoble Resources, Date December 23, 1980.
Lexington Property, Greenwood Area, B.C.
(82-E-2E)


Herewith Fred Chow's reserve estimate together with a proposed diamond drilling program.

We have jointly determined that an initial 3,050 feet of diamond drilling would determine whether or not there would be any justification in drilling a total of 4,525 feet. Of this footage, 700 feet would be conditional.

If the additional drilling on the Lexington ground established a minimum of 400,000 tons with an average grade of 1.2% copper and 0.18 oz. per ton of gold, then it would seem feasible to option Seraphim's adjoining claims with the thought of extending the deposit down plunge. That portion of the Lone Star group on which the possible extension occurs has not been drilled in the past and as Fred points out, the minimum length of drill hole would be 890 feet which would have to intersect a cigar-shaped target with a maximum dimension of 100-150 feet. The cost of investigating the Seraphim ground apart from any option payments would be in the order of \$80,000 to \$100,000. However, such a program would certainly be justified if the Lexington property lived up to its potential.

Preliminary calculations using current metal prices, \$30 operating costs and a \$6,000,000 capital investment including interest, would have a net present value of approximately \$7 million when the cash flow is discounted at 20% compound interest. These calculations are based on a 200 tpd plant operating 330 days per year. The capital cost would be repaid in less than 2 years.

Pat Bowes said over the telephone this morning just about what he has told us in the past. He is interested in making a deal but has not yet made his peace with Nosalek who still hopes that he can make a market on the drilling information obtained in recent time. I doubt that this is the case inasmuch as the impending drill core assays do not really add very much to the picture. Bowes has agreed to a meeting early in the new year and we will see what happens at that time.


W.M. Sirola,
Regional Exploration Manager.

WMS/al: Encl.

P.S. We recognize that a drop in the price of gold to the \$500 level would eliminate the profitability of this operation.

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To W.M. Sirola From F. Chow
Subject Proposed Diamond Drilling on Date December 18, 1980.
Lexington Property, Greenwood, B.C.
82-E-2E

INTRODUCTION

The Lexington Property consists of located mineral claims and Crown Grants, totalling 20 claims. It is located 11 km. southeast of Greenwood, B.C. close to the U.S. border. Presently, Grenoble Energy Limited holds the property by option agreements.

During November-December, 1980 the writer made a study of the mineral reserves within the Lexington Property tabulated as follow:

ESTIMATED DRILL INDICATED MINERAL RESERVES

1. <u>Main Zone</u> :	<u>Category</u>	<u>Tons</u> <u>@ 10% dilution factor</u>	<u>Grade</u>	
			<u>Cu %</u>	<u>Au oz/T</u>
(North)	Proven	222,060	1.22	0.176
	Probable	70,010	1.31	0.198
	Possible	<u>191,000</u>	<u>1.31</u>	<u>0.187</u>
	TOTAL	<u>483,080</u>	<u>1.27</u>	<u>0.184</u>
2. <u>South Zone</u> :				
Upper Band	Proven	16,250	0.82	0.098
	Probable	<u>4,020</u>	<u>0.89</u>	<u>0.089</u>
	Total	20,274	0.83	0.096
Lower Band	Proven	<u>24,240</u>	<u>0.77</u>	<u>0.051</u>
	TOTAL	<u>44,515</u>	<u>0.80</u>	<u>0.072</u>

PURPOSE OF PROPOSED DRILLING

Preliminary calculations have projected a viable operation on the Lexington Property when a minimum of 400,000 tons of proven mineral reserves, grading about 1.2% cu and 0.18 oz/T Au have been established.

The 400,000 tons may be proven by further diamond drilling to bring the probable and possible mineral reserves to the proven category of similar grade.

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To W.M. Sirola From F. Chow

Subject Lexington Property Date December 18/80

PAGE 2.

PROPOSED DIAMOND DRILLING

	<u>Location</u>	<u>Hole Depth, ft.</u>	<u>Remarks</u>
(1)	15+00 ^N / 0+25 ^E	520	Fill-in @ 100'-interval on strike
(2)	12+00 ^N / 1+20 ^E	640	To locate mineral zone and to prove continuity from section 10 ^N to 14 ^N
(3)	13+00 ^N / 0+90 ^E	560	Fill-in @ 100'-interval on strike
(4)	11+00 ^N / 1+40 ^E	650	Fill-in @ 100'-interval on strike
(5)	9+00 ^N / 1+70 ^E	680	To prove continuity of mineral zone 100' east of section 10 ^N
(6)	8± ^N /	(700)	To be re-drilled later when more is known about dyke
(7)	6+80 ^N / 2+20 ^E	725	To check extension of zone down plunge southeast of dyke
(8)	5+80 ^N / 2+25 ^E	750	To check extension of zone down plunge southeast of dyke.
	5+50 ^N / 2+35 ^E		Property boundary, Lincoln M.C./ Jean Fr. (Bob Seraphim's)
		<u>TOTAL 3,825 plus (700)</u>	

Drilling the first five holes totalling 3,050 feet would establish drill holes at 100-foot centres along the length of the mineral reserve. The results would be a check for continuity and hopefully bring the probable and possible reserves to the proven category. This would be Kerr's initial program and maybe involvement.

THE SEARCH FOR ADDITIONAL MINERAL RESERVES ON LEXINGTON MAIN ZONE

Additional reserves down the plunge of the structure are possible but the search for it faces many problems, i.e. (1) drilling to depths past 500' is difficult to maintain on line; (2) the pipe-like zone, approximately 100-ft. wide is a small target to intersect at depth; (3) drilling will be costly, and (4) limited ground (approximately 200 ft.) on strike to prospect within property before the structure plunges into adjoining ground belonging to Bob Seraphim.

.../3

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To W.M. Sirola From F. Chow

Subject Lexington Property Date Dec. 18/80

PAGE 3.

SEARCH FOR DOWN PLUNGE EXTENSION ON BOB SERAPHIM'S LONE STAR GROUP

If the Lexington zone continues southeast then the structure could extend for another 800 feet through Seraphim's Jean Fr. and likely end in the Orphan C.G. Claim, at the junction of the northeasterly fault offsetting the southeasterly bearing diorite dyke(?).

The surface elevation decreases slightly towards the southeast over the prospect area; therefore, the depth to the zone increases with the plunge at approximately 35'/100'. A drill hole spotted at 400 ft. from the common boundary would have to be drilled 890 ft. to pass the target.

SUGGESTIONS ON DRILLING

In diamond drilling the hole should be advanced at a slow, controlled rate to minimize deflection. BQ should be the minimum size used. It is recommended that NQ size equipment be employed.

SEARCH FOR ADDITIONAL RESERVES ON BOB SERAPHIM'S LONE STAR GROUP OTHER THAN THE LEXINGTON ZONE

To augment the ore to the Lexington mill, a study was made of the adjoining property from which about 400,000 tons grading 1% cu and 0.02 oz./Ton Au was mined in 1978. A preliminary study of the Lone Star Group of claims reveals only low grade gold in association with copper mineralization. There are proven and probable zones* of 1%-2% cu with 0.02+ oz. Au available by underground mining.

The country rocks and the host rocks are the same on both properties and show similar dips and plunging structures or zones. The mineralization on the Lone Star claims is widespread and occurs in multiple bands and zones.

* In the United States, about 4,000' south of the Lexington boundary, an area 300' x 300' south of the open pit has been drilled out at 100-foot centres showing three or more horizons of 1% plus copper.

KERR ADDISON MINES LIMITED

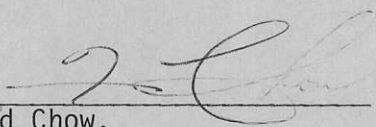
(FOR INTER-OFFICE USE ONLY)

To W.M. Sirola From F. Chow

Subject Lexington Property Date Dec. 18/80

PAGE 4.

* A large low-grade copper and/or copper-molybdenum deposit may be found south of the Lexington property but, more likely to occur in the United States, about 4,000 ft. south of Lexington boundary. (See separate report "Preliminary Study of the Lone Star Group of Claims").


Fred Chow.

FC/al:

* This is speculation based on a higher MoS₂ content in drill holes CG-4,5,6+7 drilled by Coastal Mining in 1973. Only one drill hole # CG-6 was assayed & indicated a grade of 0.28% Cu, 0.043% Mo/100 ft.

NA.