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June 6, 1972

|   |        |
|---|--------|
| ✓ | J.H.S. |
| ✓ | P.M.K. |
| ✓ | A.M.H. |
| ✓ | R.D.S. |
| ✓ | C.B.   |
| ✓ | I.D.B. |
| ✓ | M.D.R. |
|   | J.H.F. |
|   | E.C.J. |

Mr. Noel O'Brien,  
Consolidated Rexspar Minerals  
and Chemicals Ltd.,  
20th Floor,  
4 King Street West,  
TORONTO 108, Ontario.

Dear Noel:

We have now completed our assessment of the Consolidated Rexspar situation and consequently can make a firm proposal to you regarding participation in further evaluation of the property.

Our approach, and we have had the opportunity to discuss this with you in part at least, would be to (1) drill four selected targets not far removed from the main fluorspar zone, (2) carry out soil sampling for fluorspar in the northeast portion of the property, (3) carry out analysis for fluorite in certain groups of soil samples already available, (4) and carry out test sampling for fluorite in existing workings and possibly on some core if available. The possibilities suggested in the study carried out by Bruce Arnott are interesting, but we would not wish to become deeply involved in the assessment of this idea in the first stage of evaluation.

The drilling mentioned is "idea drilling", and our proposed test is not just a matter of additional coverage of an uninspired nature.

The terms which we can propose for your consideration are as follows:

1. Kerr Addison will guarantee the expenditure of \$25,000 in testing the Rexspar property before December 31, 1972.
2. In order to keep the agreement in good standing beyond December 31, 1972, Kerr Addison would have to guarantee on or before that date to spend a cumulative total of \$75,000 in exploration of the property by the end of the first 12 month period to extend the agreement into a second year.
3. As of the beginning of the second year, if desiring to continue the agreement, and if expenditure requirements are met, Kerr Addison would commit to the expenditure of \$125,000 in exploration and development of the property during the second 12 month period.

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Mr. Noel O'Brien

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4. As of the beginning of the third year, if desiring to continue the agreement, and if expenditure requirements have been met, Kerr Addison will have the right to commit to the expenditure of \$300,000 during the third 12 month period of option.
5. At the end of the third year, or sooner if required expenditures of \$500,000 have been made, Kerr Addison will have the right to form a new company capitalized at 3 million shares to develop and mine the property. Of the first 750,000 shares vendors' issue, Consolidated Rexspar will receive 300,000 shares (40% of issue) and Kerr Addison 450,000 shares (60% of issue). Thereafter financing will be carried out by issue of shares at the discretion of the board of directors, it being the right of Rexspar to subscribe to 40% of any issue, and Kerr Addison to subscribe to 60% of any issue subject to the following. If either party refuses to purchase all or any part of their share of any given issue, it will be the right of the other to purchase the remainder. Thereafter that party not fully participating will be able to purchase only that percentage of any future issue that was purchased in the preceding issue.
6. If through mutual agreement of the parties involved an alternate method of financing to production is desired (i.e. a joint venture), then it is understood that it may be implemented.
7. It is understood that the purpose of the agreement is to develop a mining operation on the property as expeditiously as possible.

Hoping that the foregoing is found of interest, and that we will have the opportunity of working with you on this venture.

Yours sincerely,



Paul M. Kavanagh  
Vice-President

PMK:lfr

cc: W. M. Sirola

# KERR ADDISON MINES LIMITED

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| J.H.S.                                     |
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| <input checked="" type="checkbox"/> G.M.H. |
| R.D.S.                                     |
| B.C.B.                                     |
| I.D.B.                                     |
| M.D.R.                                     |
| J.H.F.                                     |
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| <input checked="" type="checkbox"/> E.C.I. |

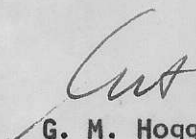
To..... W. M. Sirola ..... From..... G. M. Hogg .....  
Subject..... Consolidated Rexspar Data ..... Date..... July 10, 1972 .....

I was notified by Denison Mines Ltd. last week that they intended financing and carrying out further exploration on the Birch Island property themselves.

They are cognizant of the fact that fluorine is detectable as an indicator in soils, and as you know, believe that Bruce Arnott's interpretation of fluorspar zone extensions can add significantly to available tonnages. They will also re-sample drill core and workings for fluorspar content. Whether this combined approach will prove successful or not is hard to say. In any event, they may come back to us later on with some possibilities untested.

In the meantime, they would like to have their data returned. Would you therefore send back the feasibility study and such plans as were forwarded from here. I will send them back to Denison's Toronto office.

GMH:1fr

  
G. M. Hogg

# KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To..... Mr. J. H. Stovel..... From..... G. M. Hogg.....

Subject..... Consolidated Rexspar Option..... Date..... June 15, 1973.....

I have reviewed the work completed during 1972 by Denison Mines Ltd. on the Consolidated Rexspar Birch Island property in B.C. and feel that good potential remains for the location of additional fluorspar on the property as well as, indirectly, good potential for the location of additional low grade uranium ore. They did cover one possibility we were considering adequately, and consequently we would have to lower our initial expenditure commitment somewhat (say to \$20,000). Otherwise our original expenditure schedule would appear justified, and the timing acceptable.

The programme envisaged would consist mainly of drilling high resistivity areas which appear very similar in geophysical character to the main fluorspar zone. The uranium deposits are peripheral. Geologically there is some question as to the validity of this concept, and W. M. Sirola does not agree that it has merit (see attached memorandum). However, the anomalies exist and the possibility of acquiring a viable mining proposition for a very small outlay is quite real.

In discussing the matter with Noel O'Brien last week, he indicated that Rexspar would like to see a small return from production if such developed. This could easily be arranged by specifying payback to Kerr from 80% of the cash flow with the balance being distributed pro rata.

For our part we should request a modification on timing for production attainment (two years from production decision was originally suggested) to assure enough time for the B.C. tax and royalty situation to stabilize. This of course would be desirable for all parties involved.

Our actual programme would involve the following expenditures:

|   |                 |
|---|-----------------|
| Test Drilling: 5 holes (1,500' @ \$10.50/ft.) | \$15,750        |
| Soil Sampling (detail):                       | 3,000           |
| Analysis:                                     | 3,000           |
| Supervision:                                  | <u>1,250</u>    |
| TOTAL   | <u>\$23,000</u> |

I recommend that we submit a proposal to Rexspar on this basis.

GMH:lfr

G. M. Hogg