

# KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

823790

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

KERR ADDISON MINES LIMITED  
P.O. BOX 91  
COMMERCE COURT WEST  
TORONTO, ONTARIO  
M5L 1C7

of Be 4.

COPY

January 3, 1974

W.J.	✓
D.M.H.	✓
G.M.H.	✓
M.D.R.	✓
J.D.B.	✓
R.D.S.	✓
G.R.	
T.W.B.	
E.C.J.	

Mr. W. N. O'Brien,  
Consolidated Rexspar Minerals  
& Chemicals Ltd.,  
20th Floor,  
4 King Street West,  
TORONTO, Ontario.


Dear Noel,

With regard to the Consolidated Rexspar properties in the Kamloops area of British Columbia, we have completed our exploration programme as well as reviewing the possibilities of production from known mineral reserves. We have not been encouraged on either count, and consequently must notify you that Kerr Addison is not prepared to continue the agreement of July 18, 1973.

With this advice of discontinuance of the option agreement I am including a copy of a report on exploration work carried out by Kerr Addison Mines Limited by J. C. Lund, P. Eng., and an unaudited statement of expenditures on the programme signed by I. D. Bayer, Treasurer of Kerr Addison Mines Ltd. Also, pursuant to clause 5(b) of the Memorandum of Agreement, we are enclosing a cheque for \$5,000 to Consolidated Rexspar to defray corporate expense, tax payments, etc.

It is with sincere regret that we are forwarding this notification and it has been a pleasure dealing with you in this matter.

Yours very truly,  
KERR ADDISON MINES LIMITED

  
G. M. Hogg,  
Vice-President-Exploration.

GMH:cap  
Encls.

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STATEMENT OF EXPENDITURES  
ON CONSOLIDATED REXSPAR PROPERTIES  
KAMLOOPS AREA, B.C., TO DECEMBER  
31, 1973, BY KERR ADDISON MINES LTD.

General Expense	723.32
Geological	981.54
Geophysical	39.00
Diamond Drilling	25,533.17
Road Construction	620.40
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	\$27,897.43
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*IDB per [Signature]*

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I. D. BAYER  
Treasurer