Astro 82E/5

823981

QPX MINERALS INC.

File NTS 82E5 ASTRO

May 16, 1989

Mr. Ian D. Pirie
Minnova Inc.
4th Floor - 311 Water Street
Vancouver, B.C.
V6B 1B8

Dear Ian:

Please find enclosed the reports generated from our last three programs on our PDL/Astro claims.

Our interest is now focussed on an epithermal vein or veins in the Astro 34 claim. We have established by trenching and drilling a width of some 20 metres with gold grades locally up to one gram/tonne. There is no question in my view that this target (as evidenced by geophysics shown on the attached map) deserves to be tested both along strike and at greater depth. Final versions of the same maps are contained in the February report (#208). Colour copies are available for inspection in this office.

Our expenditures last year on the property were $360,000.

A summary of the terms of QPX's Back-In agreement with Placer Dome is enclosed. If you are interested in pursuing a option, we suggest you make us an offer which either recognizes the PDI Back-In or provides us and PDI with sufficient incentive to modify it.

Please return our reports when you have finished with them.

Yours truly,

R.V. Longe

R.V. Longe

RVL/se
Encls.: MQ Report #208 Volumes 1, 2, and 3 - Copy 5
MQ Report #209 Volume 1 - Copy 6
MQ Report #215 Copy 4
QPX5

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Subsequent to the Placer Option in respect of the PDL property, the Company entered into an option with Petro-Canada Inc. ("PCI") and Bradford D. Pearson ("Pearson") for nine mineral claims adjacent to the PDL property. By expending $750,000 in exploration expenditures on the claims, the Company will earn a 100% interest subject to a 3% net smelter return, payable to PCI as to 2.5% and to Pearson as to 0.5%. At any time prior to commencing commercial production, the Company may purchase one-half of the royalty for $1,500,000, payabale proportionately to PCI and Pearson.

BACK-IN RIGHT

Under the terms of all the options, other than the QR Option and except as modified for the Glandelet Option, the Company may earn, by incurring certain specified exploration expenses, up to a maximum 100% working interest in the properties subject to any underlying royalty or NPI payable to a third party and subject to Placer's back-in right. The Company's interest will vary depending on how much money the Company has spent if and when Placer exercises its back-in right. Once this occurs, Placer will then fund all further expenditures including the costs of preparation of the feasibility study and all subsequent costs through to commencement of commercial production and this will not further dilute the Company's equity position. Placer will not have the right pursuant to the QR Option to increase its interest in the QR property which, upon exercise of the option, will be 50% subject to the royalty obligations.

The Company and Placer entered into an agreement made as of the 1st day of February, 1987, under which Placer was granted a back-in right on all of the Company's properties, excepting the QR property, including those which it acquires by way of future option agreements (the "Back-In Agreement"). The formula for calculating Placer's percentage working interest upon exercise of the back-in right depends upon whether or not the property is subject to an underlying NPI.

On all of the optioned properties, excepting the QR property, Placer must elect in writing to exercise the back-in right on any particular property no later than 60 days after being notified by the Company that either the feasibility stage has been reached with respect to such property or the maximum exploration expense as calculated pursuant to the Back-In Agreement has been incurred, whichever is earlier. If the feasibility stage has not been reached, Placer may defer its election until feasibility stage is reached by paying 50.1% of the additional costs to bring the property to such stage. If the back-in right is exercised, Placer will pay all costs from the point at which it backs in through to the commencement of commercial production. Where the optioned property is free of an NPI, Plaeer may earn a maximum 90% interest if the Company has expended less than $750,000 on the property, reducing proportionately to a minimum of 50.1% when the Company has incurred the required maximum exploration expense. The required maximum exploration expense is $5,000,000 on any property free of an NPI, which includes PDL, True Blue and Whitesail. In the case of properties subject to an NPI other than the Glandelet Property, the required maximum exploration expense is reduced from $5,000,000 pursuant to a formula which takes into account the size of the NPI. For Belore it is $3,561,922; for Mara $3,082,563; for Creighton $3,082,563; and for Equesis $3,082,563. On the Glandelet property, the required maximum exploration expense is $3,561,921 or $1,165,126 depending upon whether or not Imco elects to retain its interest as described below.

FORMULA FOR PDL, TRUEBLUE AND WHITESAIL (AND NAHWITTI LAKE IF ACQUIRED BY THE COMPANY)

FORMULA TO DETERMINE PLACER BACK-IN INTEREST
CONDITION WHERE NO UNDERLYING N.P.I. EXISTS

Base exploration expense	=	$750,000
Exploration expense at back-in date	=	E (maximum $5,000,000)
Diluting exploration expense (DEE)	=	E - $750,000
Maximum range of DEE	=	$5,000,000 - $750,000 = $4,250,000
Maximum back-in interest	=	90%
Minimum back-in interest	=	50.1%
Back-in interest subject to dilution	=	90% - 50.1% = 39.9%
Reduction (in back-in interest)	=	$\frac{\text{DEE}}{\$4,250,000} \times 39.9\%$
Back-in interest	=	90% - Reduction

FORMULA FOR BELORE

FORMULA TO DETERMINE PLACER BACK-IN INTEREST
CONDITION WHERE 15% UNDERLYING N.P.I. EXISTS

Placer minimum back-in interest	=	50.1% = 90% x 55.67%
Maximum N.P.I. to outsider	=	100% - 55.67% = 44.33%
Maximum exploration cost (M.E.E.) with 15% N.P.I.	=	$\$5{,}000{,}000 - \dfrac{(15\% \times \$4{,}250{,}000)}{44.33}$
	=	\$3,561,921
Base exploration expense	=	\$750,000
Exploration expense at back-in date	=	E (maximum \$3,561,921)
Diluting exploration expense (DEE)	=	E - \$750,000
Maximum range of DEE	=	\$3,561,921 - \$750,000 = \$2,811,921
Back-in interest subject to dilution	=	76.5% - 50.1% = 26.4%
Reduction (in back-in interest)	=	$\dfrac{\text{DEE}}{\$2{,}811{,}921} \times 26.4\%$
Real Back-in interest	=	76.5% - Reduction

FORMULA FOR MARA, CREIGHTON AND EQUESIS

FORMULA TO DETERMINE PLACER BACK-IN INTEREST
CONDITION WHERE 20% UNDERLYING N.P.I. EXISTS

Placer minimum back-in interest	=	50.1% = 90% x 55.67%
Maximum N.P.I. to outsider	=	100% - 55.67% = 44.33%
Maximum exploration cost (M.E.E.) with 20% N.P.I.	=	$\$5{,}000{,}000 - \dfrac{(20\% \times \$4{,}250{,}000)}{44.33}$
	=	\$3,082,563
Base exploration expense	=	\$750,000
Exploration expense at back-in date	=	E (maximum \$3,082,563)
Diluting exploration expense (DEE)	=	E - \$750,000
Maximum range of DEE	=	\$3,082,563 - \$750,000 = \$2,332,563
Back-in interest subject to dilution	=	72% - 50.1% = 21.9%
Reduction (in back-in interest)	=	$\dfrac{\text{DEE}}{\$2{,}332{,}563} \times 21.9\%$
Real Back-in interest	=	72% - Reduction

FORMULA FOR GLANDELET
(IF IMCO PARTICIPATES, OTHERWISE USE FORMULA FOR BELORE)

FORMULA TO DETERMINE PLACER BACK-IN INTEREST
CONDITION WHERE 40% UNDERLYING N.P.I. EXISTS

Placer minimum back-in interest	=	50.1% = 90% x 55.67%
Maximum N.P.I. to outsider	=	100% - 55.67% = 44.33%
Maximum exploration cost (M.E.E.) with 40% N.P.I.	=	$\$5{,}000{,}000 - \dfrac{(40\% \times \$4{,}250{,}000)}{44.33}$
	=	\$1,165,126
Base exploration expense	=	\$750,000
Exploration expense at back-in date	=	E (maximum \$1,165,126)
Diluting exploration expense (DEE)	=	E - \$750,000
Maximum range of DEE	=	\$1,165,126 - \$750,000 = \$415,126
Back-in interest subject to dilution	=	60% - 50.1% = 9.9%
Reduction (in back-in interest)	=	$\dfrac{\text{DEE}}{\$1{,}165{,}126} \times 9.9\%$
Real Back-in interest (subject to 9.9% minimum to the Company)	=	60% - Reduction

Under the terms of the options, exploration expenses will include costs during the exploration stage (those which occur prior to the date of reaching the feasibility stage) such as property acquisition costs and pre-feasibility costs (such as the costs of pilot plants and underground sampling and diamond drilling costs) as well as those costs contemplated by the Tax Act (section 66.1 (6)(a)(iii.1)), but will expressly not include costs of a feasibility study and related activities. All exploration expenses on a given property will be financed by the Company to the earlier of the time at which the required maximum exploration expense has been expended or to the date that Placer exercises its back-in right or a third party takes over the property. If Placer has not exercised its back-in right, exploration financing beyond the maximum exploration expense on any one property (prior to the feasibility stage) will be shared 50.1% by Placer and 49.9% by the Company. Upon Placer exercising its back-in right, all further exploration financing will be funded by Placer.

The feasibility stage is reached when a majority of the Exploration Advisory Committee, constituted under the Advisory Agreement described under "Management of the Properties" below, determines that exploration results warrant the preparation of a feasibility study. In the event that a particular property has not reached the feasibility stage when the Company has spent the required maximum exploration expenditure for that property, Placer can extend its back-in right by participating with the Company on a 50.1% to 49.9% basis until the feasibility stage is reached. If the Company chooses not to incur such further costs on the property during this extension period, then, except for the Glandelet Claims discussed below, its interest will be subject to dilution down to no less than 10% at which time it will automatically convert to a 10% net proceeds interest.

With respect to properties subject to an NPI other than a net smelter returns royalty, such as the GoldQuest or Belore properties or the D'Aragon Claims, the NPI will represent a first claim subject to:

(a) Placer recovering all of its costs associated with that property to the date of production; and

(b) the Company recovering all of its costs associated with that property.

With respect to properties subject to a net smelter returns royalty, such as the True Blue or Whitesail properties or the Glandelet Claims, the net smelter returns royalty will represent a first claim prior to Placer or the Company recovering any of their costs.

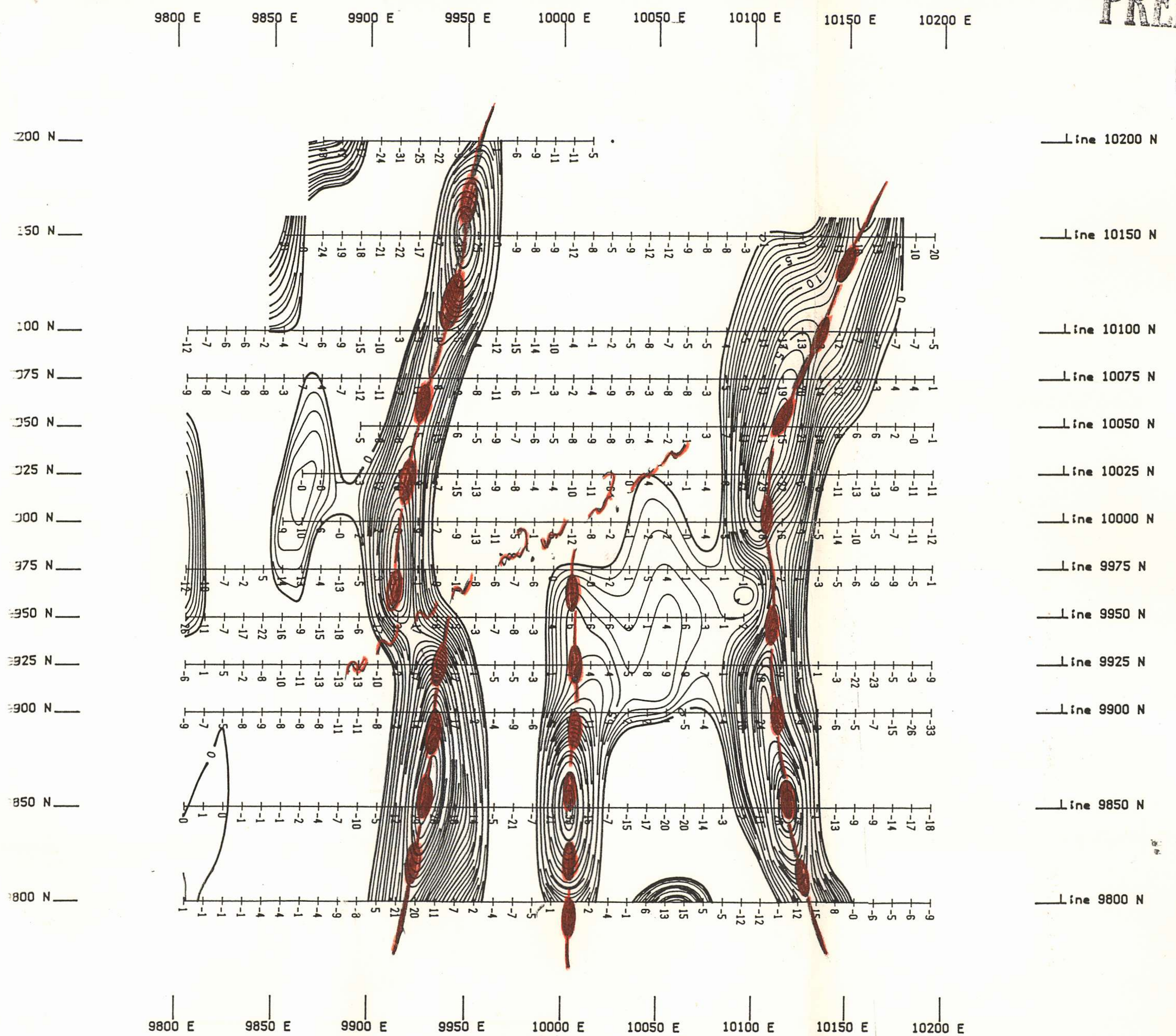
The maximum interest that Placer may acquire is 90% subject to any underlying royalty (e.g. in the case of a 20% NPI, 90% of the remaining 80% interest will give Placer a 72% interest). Placer will have a minimum interest of 50.1% when the maximum exploration expense as determined under the applicable option agreement is expended by the Company.

In the case of the Glandelet Claims forming part of the Glandelet Option, because of the potential back-in for a 40% participating interest by Imco Resources Inc. ("Imco"), Placer's back-in right has been modified so that the remaining 60% interest will be allocated by enabling Placer to back-in for a maximum of 50.1% and a minimum of 30.06%, or 50.1% of such 60% interest. In addition, if Placer provides financing to prior to the point of feasibility in order to extend its back-in right, the Company's interest will be subject to dilution to not less than 9.9% at which time it will automatically convert to a 9.9% net proceeds interest. Imco may in the alternative elect to retain a 15% net proceeds interest at which time the additional interest made available will be allocated proportionately as between Placer and the Company.

In the event that Placer exercises its back-in right with respect to any of the Properties, the Company and Placer will participate in the development of the properties on a joint venture basis, managed by Placer. In the case of the Glandelet Option, if Imco backs in for a 40% participating interest a joint venture in the terms specified in the agreement between Imco and Placer will govern.

MANAGEMENT OF THE PROPERTIES

Pursuant to an agreement dated the 10th day of March, 1987 made between the Company and First Mineral Securities Inc. ("First Mineral"), a private B.C. company wholly owned by Timothy J. Ryan (47.87%), Robert V. Longe (47.87%) and Gerald H.D. Hobbs (4.26%), all of whom are directors of the Company, First Mineral will provide administrative and management services to the Company (the "First Mineral Agreement"). Under the terms of the First Mineral Agreement, the Company will pay to First Mineral a fee, based on competitive rates, of the greater of $120,000 per year or 4% of the annual exploration expenditure of the Company plus all disbursements made on behalf of the Company. The First Mineral Agreement was for an initial term expiring December 31, 1987 and may be renewed on a year to year basis. That agreement has been renewed to December 31, 1988.



PRELIMINARY COPY

LEGEND

CONTOUR INTERVALS

1.0

5.0

25.0

VLF-EM CONDUCTOR

READING DIRECTION : WEST TO EAST

INTERPRETED FAULT.

TRANSMITTER STATION

NLK SEATTLE, WA. USA 24.8 kHz

SCALE 1 : 2000

50 0 50 (metres) 100 150 200

MINEQUEST EXPLORATION ASSOCIATES LTD.

ASTRO 34 PROJECT

Osoyoos Mining Division

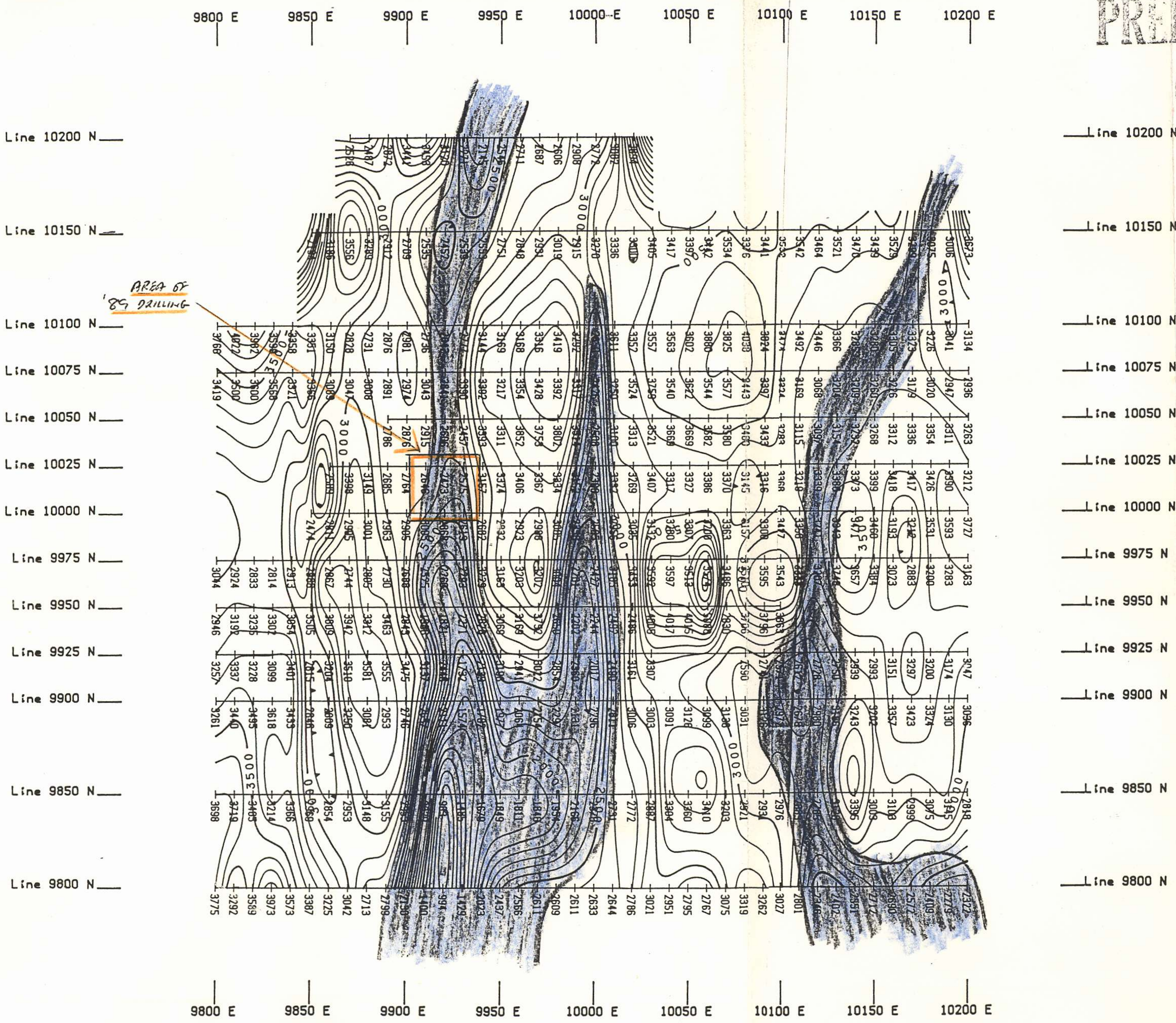
Penticton, British Columbia

VLF-EM FRASER FILTER

Scale 1 : 2000 NTS 82 E/5

LLOYD GEOPHYSICS LIMITED

PRELIMINARY COPY



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LEGEND

CONTOUR INTERVALS

100 nT

500 nT

2500 nT

MAGNETIC L.

54000 nT REMOVED FROM ALL READINGS

INSTRUMENT

EDA OMNI PLUS
EDA OMNI IV BASESTATION

SCALE 1 : 2000

50 0 50 (metres) 100 150

MINEQUEST EXPLORATION ASSOCIA

ASTRO 34 PROPERTY

Osoyoos Mining Division

Penticton, British Columbia

TOTAL FIELD MAGNETIC CO

Scale 1 : 2000 NTS

LLOYD GEOPHYSICS LIMI