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4 May 1986

Mr. Dave Watkins
Corporation Falconbridge Copper
6415 - 64th Street
Delta, B.C. V4K 4E2

RE: Dundas Project, Prince Rupert Area

Dear Dave:

As promised some time ago, I am forwarding a copy of the brief summary report describing my Dundas Project. I would suggest a quick look at the Woodsworth article for a better description of the regional setting. I have a complete set of Billiton's data, including the airborne survey. If this looks to be of any interest to you, I would be pleased to show you this information. I am out of town until the 15th, but will give you a call then.

I am willing to be quite flexible with regards to terms. As a starting point, I am suggesting a schedule of payments leading to purchase of a 100% interest in the property, subject to a retained NPPI.

Regards,

Gerald G. Carlson

Encl.

DUNDAS PROJECT

SUMMARY AND PROPOSAL

Introduction

The Alexander Terrane, northwestern British Columbia and the Alaska Panhandle, holds extraordinary mineral potential. This potential was first hinted at in the 1950's when Falconbridge staked a high grade Cu occurrence which it called Windy Craggy. Drilling of this property by Geddes Resources in the 1980's has shown it to be possibly the largest volcanogenic massive sulphide known, with potential as a major Cu, Au and Co producer.

In the early 1970's, a joint venture headed by Noranda staked the Greens Creek (Big Sore) deposit just outside Juneau on Admiralty Island. This unusual occurrence has many similarities to Kuroko-type volcanogenic massive sulphide deposits, but it is much richer in precious metals and, although some of the rocks have been interpreted as felsic pyroclastics, it does not appear to have a close association to a felsic volcanic center. While the average grade is approximately 0.2 opt Au, there are zones within the massive sulphides, which may be increasing with depth, that are in excess of 1.0 opt Au.

Numerous other massive sulphide showings are known, particularly in the Alaska panhandle, including a number discovered in the past few years.

Dundas Project History

Billiton Canada Ltd. carried out a reconnaissance exploration program over Melville, Dunira and adjacent smaller islands, approximately 40 km. west of Prince Rupert, in 1983. The islands were noted to have geology favourable for the occurrence of massive sulphide mineralization and a number of claims were staked. Late in 1983, a DIGHEM airborne survey was flown over the islands.

In 1984, Billiton cut line grids over the most favourable of the conductors identified by the DIGHEM survey. Surveys carried out on each of the grids included geologic mapping, soil sampling and magnetometer, VLF-EM and HLEM geophysical surveys. In addition, a number of rock samples were collected for geochemical analysis. Subsequent closure of Billiton's western Canada exploration office resulted in dropping of the claims in early 1986.

In February, 1986, G. Carlson staked 31 units to cover the most promising of the targets identified by the Billiton program.

Geological Environment

Woodsworth and Orchard (1985), mapping in the eastern part of the area, identified Late Mississippian limestone, Pennsylvanian limestone and siltstone and Upper Triassic limestone and dolomite overlain by a green phyllite of Late Triassic(?) age and Early Jurassic volcanics. All of these correlate with Alexander Terrane rocks of southeastern Alaska. The authors point out the similarity of this environment to a regional Upper Triassic metallogenic province identified in Alaska.

Billiton (Carr, 1984) identified six rock units:

Unit 1: Felsic Tuffs - Rhyolite or andesite crystal tuffs.

Unit 2: Chemical and Clastic Sediments - Cherts, pyritic cherts, siltstones, sedimentary and volcanic phyllites, chert pebble conglomerates, volcanogenic sediments.

Unit 3: Graphitic Shales - Slatey, pyritic zones, form lenses within Unit 2, occasional chert.

Unit 4: Mafic Flows and Sills - Pyroxene porphyry and biotite porphyry crystal and lapilli tuffs and flows, agglomerates and minor pyroxenite sills.

Unit 5: Diorite Sills, Dikes and Plutons - Variable mafic content, foliated.

Unit 6: Granodiorite and Granodiorite Sills - Massive sills are locally strongly pyritic. Includes hornfelsed sediments.

Billiton cut twelve grids in the project area. Within the various grids, over a dozen anomalies were defined by the ground geophysical surveys. All of these anomalies occur in areas of favourable geology, namely those areas underlain by phyllites, rhyolites or clastic sedimentary rocks, and many have associated anomalous soil and/or rock geochemical signatures. Most have relatively short strike length and, although it is likely that the graphitic sediments account for at least some of the zones, others appear to be related to sulphide mineralization.

The Mineral Reef showing (Billiton Grid K), which has been known for some time, consists of galena, sphalerite and chalcopyrite remobilized in a shear zone cutting felsic

pyroclastics. Woodsworth and Orchard (1985) noted minor stratabound sulphides in this vicinity. Billiton discovered minor amounts of sphalerite in nodules with pyrite in graphitic and cherty sediments on their Grid E. No other base metal occurrences were observed, although stratabound iron sulphides are ubiquitous.

On Billiton's Grid D, several areas of quartz veining and clay and sericite alteration were noted within the rhyolitic rocks.

Recommendations

The next exploration stage for Billiton was to test the most promising of the defined targets by trenching and diamond drilling. It is proposed that, prior to going to this stage, the Billiton targets be prioritized. This would be accomplished by a complete review of the Billiton data followed by a field program which would concentrate on stratigraphic correlation and lithogeochemistry. This work could be completed in approximately one month, to be followed by the trenching and drilling program.

Gerald G. Carlson
03 May 1986

REFERENCES CITED

Carr, Michael S., 1984, Geophysical, Geochemical and Geological Report on Mel, Dun, Bar Groups of Mineral Claims, Ran Mineral Claim: Billiton Canada Ltd. Company Report.

Woodsworth, G.J. and M.J. Orchard, 1985, Upper Paleozoic to lower Mesozoic strata and their conodonts, western Coast Plutonic Complex, British Columbia: Can. Jour. Earth Sci., v. 22, n. 9, pp. 1329-1344.