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Tommy  
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## KERR ADDISON MINES LIMITED

TO: D. A. Lowrie

FROM: R. A. Dujardin

DATE: September 16, 1986

SUBJECT: UNITED TOMMY CLAIM GROUP,  
KENNEDY RIVER AREA,  
VANCOUVER ISLAND, B.C.

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The attached proposal is one I would like to put to INTERNATIONAL COAST MINERALS CORP., the outright owner of the subject claims.

The property consists of 3 claims of 34 units named the Tommy, Golden Gate and Waterfall. It lies on the east side of the Kennedy River, 33 kms. east of Ucluelet and 54 kms west of Port Alberni. The Tofino highway passes through the Tommy claim.

The Kennedy River area was the scene of a minor gold rush in the early 1900's but only a reported 312 ounces of gold were produced in the vicinity of the present Tommy claims and the Minister of Mines reports describe just narrow gold bearing veins. In 1984 another rush occurred on the basis of highly promotional reports released by Pezim's Intl. Phoenix Energy Corp. which had optioned the claims from the current owner. A lot of money was raised by Pezim and his neighbours on the strength of the promotion but little spent on the ground. Teck did the work for Phoenix on the Tommy Group and spent close to \$82,000 doing magnetometer, VLF-EM, geological and soil surveys but no drilling. We think the results of this and previous surface work are extremely interesting and are puzzled that Teck didn't follow up with a good drilling program. According to our present knowledge, the showings have never been drilled, the only evidence of solid work being trenches and a short exploratory adit dating back to the first rush.

If terms can be agreed upon with the owner, we should immediately try to tie up as much of the adjacent ground held by others on as reasonable terms as possible - using Intl. Coast Mineral's help.

The basic geological picture is simple - Karmutsen volcanic breccias and andesites are intruded by and in fault contact with Island Intrusion granites and quartz felspar porphyry. Much younger felsite dykes cut the whole sequence.

All of the above types are cut by two stages of quartz veining. The first stage veining is an irregular discontinuous group of quartz-carbonate veinlets. The second and most interesting stage veining is a sheeted zone of parallel, NNE trending and steeply dipping mineralised veinlets varying in thickness from hairline fracture fillings to veins of 4 inches. The maximum vein density we have seen is about 1 to 2 per foot and in these zones the total quartz content is about 5 to 7% by volume of the total rock. Erratic concentrations of sulphides are found particularly along vein walls and comprise pyrite, sphalerite, chalcopyrite, pyrrhotite and galena in varying proportions.

In the Adit and Golden Gate Creek areas (see map attached) the sheeted zone contains two thicker veins which were the focus of the initial mining activity. The Adit vein is at least 250 feet long and up to 2.5 feet wide. The Golden Gate vein is up to 3.3 feet wide and its strike length has yet to be determined. The host rocks for the sheeted vein zone are chloritic, silicified volcaniclastic horizons very crudely mapped thus far.

Of particular note is the surficial oxidation of the sulphides and honeycomb weathering which makes shallow channel sampling of dubious benefit.

The sheeted zone has been traced so far for 1600 feet along strike - it may extend off the property to the SSW. Teck feels the system extends for  $1\frac{1}{4}$  miles based on scattered evidence beyond the Adit-Canyon Creek area. The width is from 300 to 1000 feet overall. Within this zone the frequency of the veining varies of course but the extremely rugged, canyon-type topography along the creeks, extensive overburden and second growth scrub combine to inhibit complete evaluation of the zone along its strike.

We have spent 3 days in two trips to the property and are convinced that there is the possibility of developing a large tonnage low grade deposit here, amenable to openpitting, providing the developer with easy access, ample power sources and the proximity of a community. It is impossible to sample the zone at surface because of the terrain problems stated, the surface leaching and oxidation and the great difficulty of giving proper weight to both the auriferous veinlets and the presumed intervening barren rock. Obviously the nugget effect comes into play too.

We have taken some isolated samples of the veins in a small section of the zone around Adit Creek. Assays to date for 18 of these vary from trace to 3.052 ozs/ton Au and can be grouped as follows:

- 3 are greater than 1 ozs/ton
- 5 are in the 0.1 to 1 ozs/ton range
- 1 is in the .05 to .1 ozs/ton range
- 7 are in the .01 to .05 ozs/ton range
- 2 are trace.

Teck's sampling was very incomplete but did reveal 0.12 ozs/ton over 16½ feet and 0.07 ozs/ton over 24½ feet in two samples 560 feet apart. Teck's emphasis was on geophysics and geochem. The geochem highlight is an unexplained 1600 feet long anomaly near Canoe Creek with up to 4600 ppb Au which because of overburden and difficult access ( a 3 hour "walk" in) we were unable to explain in the field.

We recommend drilling at least 3 sections in the heart of the Adit Creek zone. Because of the rugged topography, we would ring drill from three set ups on lines 19 NE, 20 NE and 21 NE respectively (see map). With three holes at different inclinations from each set up the total footage is 5400 feet. We would also drill another 600 feet around aptly named Canyon Creek where a selected zone is exposed in the creek bed.

We are looking at about \$180,000 to complete the program.

Regards,

R. A. Dujardin

OUTLINE

Proposal to Option the UNITED TOMMY CLAIM GROUP  
Kennedy River, Vancouver Island

Owner: International Coast Minerals corp.  
Suite 1500 - 1176 West Georgia Street  
Vancouver, B.C.  
V6E 4A2  
Tel: (604) 685-4335  
Telex: 04-51114  
President: Waldo W. Ejtetl (pronounced "Etchel")

Property: Tommy Claim 1029 (9) - 16 units  
Golden Gate Claim 1035 ( ) - 6 units  
Waterfall Claim 1560 (12) - 2 units

Latitude 49°10.5'N Longitude 125°24.3' W  
NTS: 92F/3, W $\frac{1}{2}$

- Terms:
- (1) KERR to pay COAST \$30,000 on signing the Agreement
  - (2) KERR to complete 6000 feet of diamond drilling during the first year of the option.
  - (3) To keep the option in good standing, KERR to have made expenditures in accordance with the following table.

CUMULATIVE

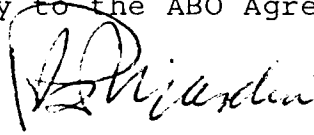
End of Year 1	--	\$180,000 (6000 feet drilling)
End of Year 2	--	\$400,000
End of Year 3	--	\$750,000
End of Year 4	--	\$1,200,000
End of Year 5	--	\$1,750,000

- (4) After spending \$1,750,000, KERR earns 60% interest and COAST must thereafter contribute pro rata to further expenditures to maintain its 40%.

Outline -

- (5) If COAST does not maintain at 40%, it drops to 25% interest assessable on receipt of KERR'S notice to proceed to production.
- (6) If COAST does not maintain at 25% at the pre-production stage, it loses all interest to KERR save for a 15% Net Profits Royalty.

This deal is structured similarly to the ABO Agreement except for the down payment.



R. A. Dujardin

25 September 1986

Kerr Addison Mines Limited  
Suite 703 - 1112 West Pender Street  
Vancouver, B.C.  
V6E 2S1

Dear Sirs:

This is to confirm that I agree with the basic terms of your letter of September 23, 1986 regarding the option proposed to be granted to you to earn a 60% interest in the United Tommy Claim Group except that I will require that you will prepare a formal option agreement and joint venture which will contain in addition to the standard clauses the following:

- 1) You will have spent at least \$180,000 by the first anniversary which shall be spent on diamond drilling of at least 6000 linear feet. If it costs more than \$180,000 to drill 6000 feet it will still be your obligation as a firm committment to pay for all of the 6000 feet by the first anniversary;
- 2) All diamond drilling will have a core size of not less than 2 inches;
- 3) You will provide me with a full geological report within 60 days of the end of each anniversary and in the meantime I shall have access to all geological data and the Property upon request and reasonable notice;
- 4) I shall receive all assay sheets within 60 days of the completion and I shall be permitted to have all cores not assayed by you within 60 days of drilling, such cores to be split by you;
- 5) After the option is exercised by you I shall have adequate time to examine all data before I am required to make any elections or contribute any funds towards future programs;
- 6) Production decisions shall be made by a management committee and shall be supported by a feasibility study prepared by an independent engineering firm unless otherwise agreed by me;
- 7) You will maintain the Property in good standing and file all recordable assessment work;

. . . /2

- 8) If you abandon the option I will receive all data and reports obtained by you regarding the Property and I will be returned the Property free of all liens and encumbrances;
- 9) I will have the right to receive statements of all expenditures and contest the validity;
- 10) The joint venture shall be governed by a management committee. You shall be the initial operator but upon the default by you of certain conditions to be agreed upon, I shall become the operator. It shall be a default by you as operator if you fail to continually propose annual budgets of a significant amount or fail to make a production commitment within 3 years of the exercise of the option;
- 11) The joint venture agreement shall have a dilution formula which shall provide that if either party fails to contribute its proportionate share, its interest shall be diluted pro-rata;
- 12) The joint venture shall contain a definition of net profits to be agreed upon; and
- 13) Both agreements shall initially be made between Waldo W. Ejtél and Kerr Addison Mines Limited but I shall be permitted to assign my interest to International Coast Minerals Corp. or to a company to be incorporated by me at any time.

Your letter of September 23, 1986 and this letter basically outline the understanding reached by us. The actual formal agreement will be subject to further negotiations and contain matters not dealt with by either letters and must be mutually agreed upon by us by October 31, 1986 or any agreement between us regarding the Property and any proposed option of the Property to you shall terminate.

Yours truly,



Waldo W. Ejtél

COPY

KERR ADDISON MINES LIMITED

SUITE 703 - 1112 WEST PENDER STREET  
VANCOUVER, B.C. V6E 2S1  
PHONE 682-7401

November 26, 1986

MacMillan Bloedel Limited  
1075 West Georgia Street  
Vancouver, B.C.  
V6E 3R9

Attention : L. M. Martyniuk  
Property Administrator

Dear Sirs: Re: Your File A. 911

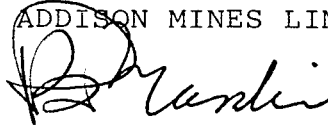
Your letter dated November 21, 1986 addressed to International Coast Minerals Corporation has been forwarded to us since Kerr Addison Mines Limited is the Operator of the proposed drilling venture referred to.

Enclosed please find a copy of the relevant part of the claim map on open-file at the Mining Recorder's Office in Vancouver, showing our "Tommy Property" outlined in red. None of the maps available to us show your lands so perhaps you could send us a map showing where your interests lie and we can proceed from there.

Yours very truly,

KERR ADDISON MINES LIMITED

Per

  
R. A. Dujardin  
Manager of Exploration  
Western Division

RAD/lk  
c.c. Waldo Ejtetl





1075 West Georgia Street  
Vancouver, B.C. Canada V6E 3R9  
Cable Address: "Harmac" Telex No. 0451471  
Telephone: (604) 661-8000

File: A. 911

**Timberlands & Properties**  
For personal contact dial: 661-8185

November 21, 1986.

International Coast  
Minerals Corporation  
1500-1176 West Georgia Street  
VANCOUVER, B. C.  
V6E 4A2

Attention: Waldo W. Ejtel  
President

Dear Sirs:

We have been advised that your Company, in partnership with Kerr Addison Mines Ltd., are involved in a joint drilling venture in the Kennedy River Valley on Vancouver Island.

As a major land owner in the area, MacMillan Bloedel have been identifying the users of our lands and rights-of-way and regulating their use through a non-exclusive licence.

We would appreciate your co-operation in providing us with an explanation of your exploration program identifying mineral claims, legal descriptions of property affected and existing access routes utilized.

Your earliest response would be appreciated.

Yours very truly,  
MacMILLAN BLOEDEL LIMITED

Louanne M. Martyniuk  
Property Administrator

LMM/eb  
cc: Gold Commissioner, Victoria  
Kerr Addison Mines Ltd.

RECEIVED  
NOV 24 1986  
KERR ADDISON MINES LTD.