

Tommy 92F/3
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KERR ADDISON MINES LIMITED

WESTERN DIVISION

MONTHLY REPORT - June 1987

PART I - CANADA

ADMINISTRATION & GENERAL

Our records show that \$ were spent in B.C. and the Yukon in June, bringing our annual total to \$.

No word on the FAME grants has been received yet.

PROPERTY EXAMINATION (B-02)

WIM CLAIMS, Kennedy River, B.C. (Guppy)

The agreement on these two two-post claims (see May for details) was signed during the month, consolidating our position in the area. We have assigned the account number B-23 and the name: WIM CLAIMS.

HART CLAIMS (B-03)

We are working on a deal with Skylark Resources (Herb Shear) whereby it can earn an initial 33 1/3% interest in the property by an agreed expenditure over two or three years. Only \$125,000 will be spend in 1987 but at least the Mogul and End Zones will be drilled to shallow depths which will be useful information.

LUCY CLAIMS (B-07)

These will be allowed to lapse on their due date - July 10.

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GOLD REGIONAL (B-08)

The program started in the Ashcroft area with examination of the western margin of the Guichon batholith, particularly pyritic zones in fault zones. Results of extensive sampling were all negative. Part of the month was also spent assisting on the Windpass property (line cutting, trenching, mapping) and examining the peripheral Windpass areas. Assays from samples of the latter are awaited. At month end the crew shifted its base to the Okanagan area.

TROUT CLAIMS (B-15)

The farmout agreement with Welcome North was signed during the month and field work has commenced.

ABO OPTION (B-17)

To June 30, the drift had advanced to a point 116.3 metres east of the portal and at 102.9 metres two cross-cuts were started north and south, each of which had advanced 5 metres. The combined average daily underground advance for the two shifts was 3.3 metres. The target quartz diorite was intersected by the drift some 90 metres east of the portal. The irregular argillite/quartz diorite contact is highly silicified, ("hornfelsed"), dips steeply and is marked by enclaves of the quartz diorite in the argillite footwall and vice versa. The gold bearing quartz-pyrrhotite veinlets have a distinct sub-horizontal bias in attitude so far and the ones 2 mms or more can be mapped in detail. Ignoring horizontal samples which parallel the main veins, chip samples of the faces 4 to 12 metres east of the contact average 0.11 ozs/ton gold - this zone is open to the east. Muck samples for the same section average 0.09 ozs/ton but are highly suspect because of the erratic nature of the gold mineralization.

The crushing section of the test-milling facility with an estimated capacity of 3 to 4 tonnes per hour, has been set up at the old Agassiz garbage dump - the gravity-flotation section is due to arrive July 7th. About 200 tons of rock from the drift are in the storage bins ready for the tune-up of the mill when it is ready.

All contracts are in hand including the one with Coastech concerning the test mill. The work will be charged on a per ton basis.

One of our rental vehicles was involved in a collision but ICBC assessed 100% of the blame to the other party and the company incurred no cost.

WINDPASS (B-20)

Linecutting (41 kms), trenching (2.2 kms), a detailed magnetometer survey (with J. Wahl's guidance) and mapping have been carried out. The adjacent Teather claims, acquired in May, have been prospected.

A good geological picture is being assembled for the known showings and by July 25th we should be ready to commence drilling.

UNITED TOMMY OPTION (B-21)

The quartz vein system has been mapped and we are now ready to drill the best looking section which has a strike length of 500 metres and is centred on Adit Creek. At the time of writing the drill had just arrived on site.

Examination of surrounding claims, including the AU owned by Multinational failed to indicate additional ground worth acquisition.

GUPPY OPTION (B-22)

Mapping of the Westering Claims shows fault offsets in vein packages like the Tommy but of lesser vein density, except for the "Upper Showing". We are waiting for FAME'S response to our application for additional funding to determine if we can afford drilling this year.

YUKON

Our short program of property examination has been postponed due to A. Clendenan's involvement with the ABO Project.

VIC CLAIMS Y-11)

The deal with Welcome North was aborted in favour of a better one with the Chesbar Resources (Flanagan, MacAdam) arranged in Toronto. Chesbar will spend \$200,000 in 1987 and split the 1987 option payment (\$35,000) with us 50/50. After spending \$400,000 over 2 years Chesbar can earn a 50% interest in the property and the right to be Operator. Meanwhile we have extended the road into the property at minimal cost (\$4100) employing the local placer miners and their equipment at an opportune time.

PROPERTY SUMMARY - CANADA

(Major Properties only)

NEW ACQUISITIONS/DISPOSITION

1. WIM CLAIMS, Kennedy River, B.C. (Guppy)
See under B-02. Account number B-23 assigned.
2. VIC CLAIMS (Y-11)
Agreement signed with Chesbar Resources -see under Y-11.
3. TROUT CLAIMS (B-15)
Agreement signed with Welcome North -see under B-15.

ACQUISITIONS/DISPOSITIONS PENDING

HART PROJECT (B-03)

Deal with Skylark Resources pending - see under B-03

RECOMMENDED

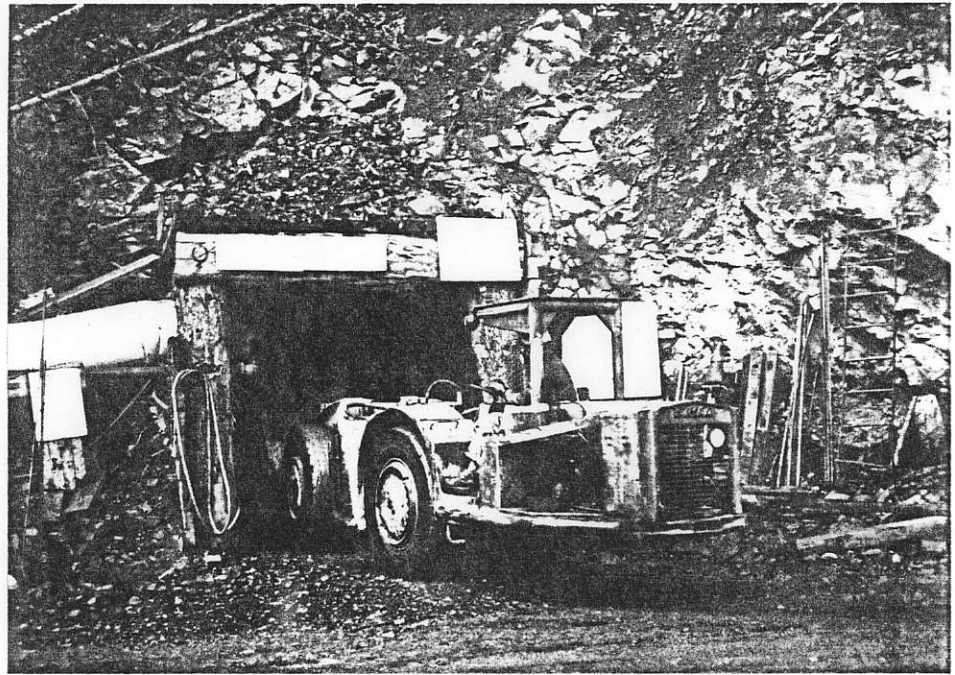
1. Esther Claim, Kennedy River, B.C. (Robinson/Liskar)
No progress. (see May under B-02).
2. Bear Group, Kennedy River, B.C. (Intl. Coast Minerals)
No progress
3. Sadim Claims, B.C. (Larimide Resources)
No progress.

UNDER CONSIDERATION

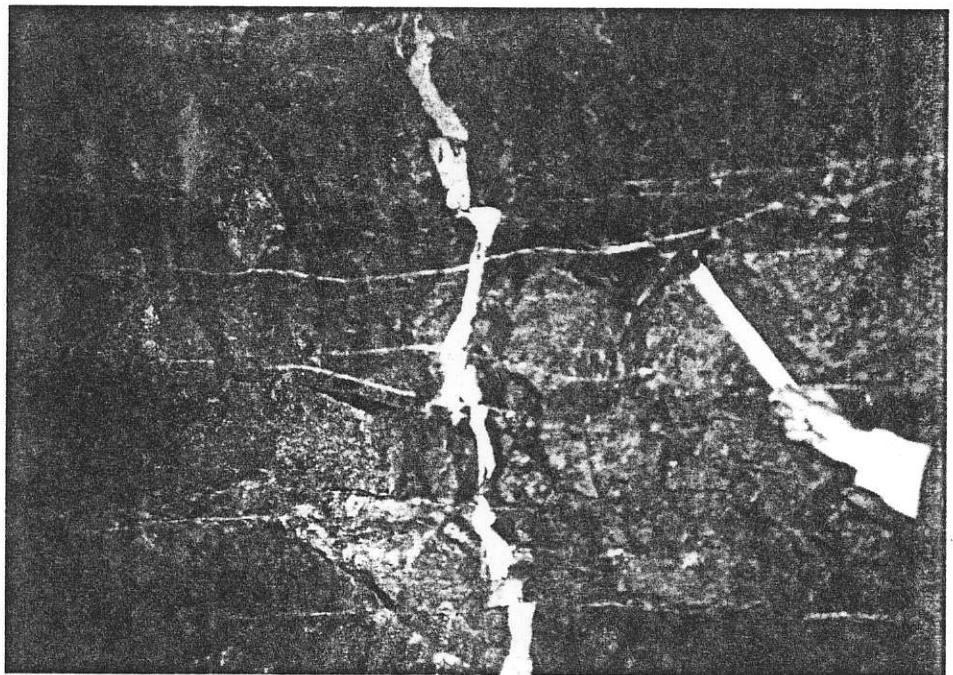
1. Alpeer Claims, Kennedy River, B.C. (Walter Guppy)
2. Shootamuck Creek, Yukon (Neil Holloway)
3. Lost Canyon Group, Kennedy River, B.C. (Sundown Expl'n)
4. Au Claims, Kennedy River, B.C. (Multinational Resources)
5. Ozz Claims, Ucluelet, B.C. (Umex)
6. Indian Lake Claims, N.W.T. (Myers)

A handwritten signature in black ink, appearing to read "R. A. Dujardin". The signature is written in a cursive style with a large, stylized initial "R".

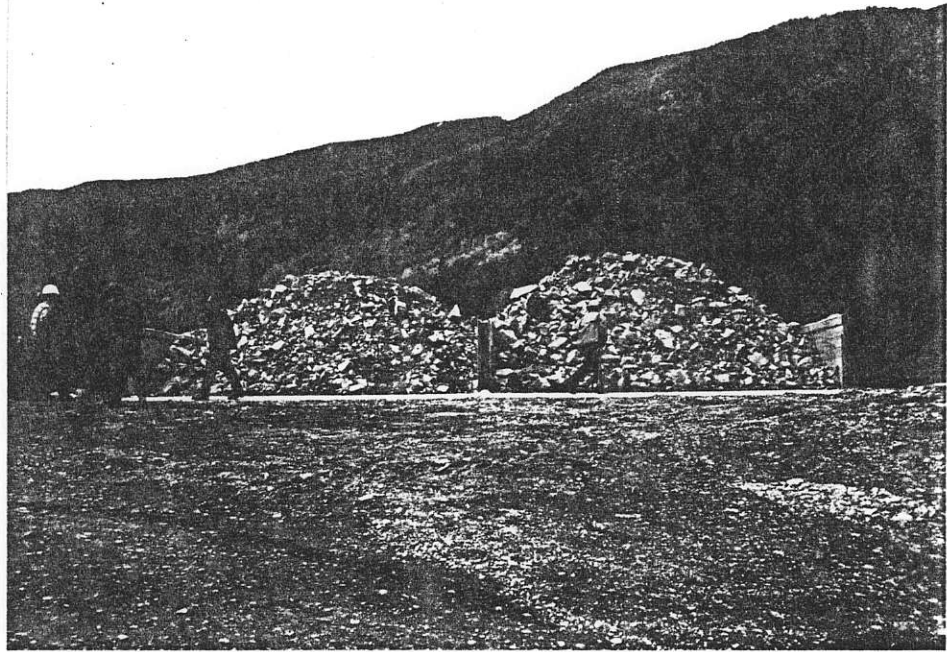
R. A. Dujardin



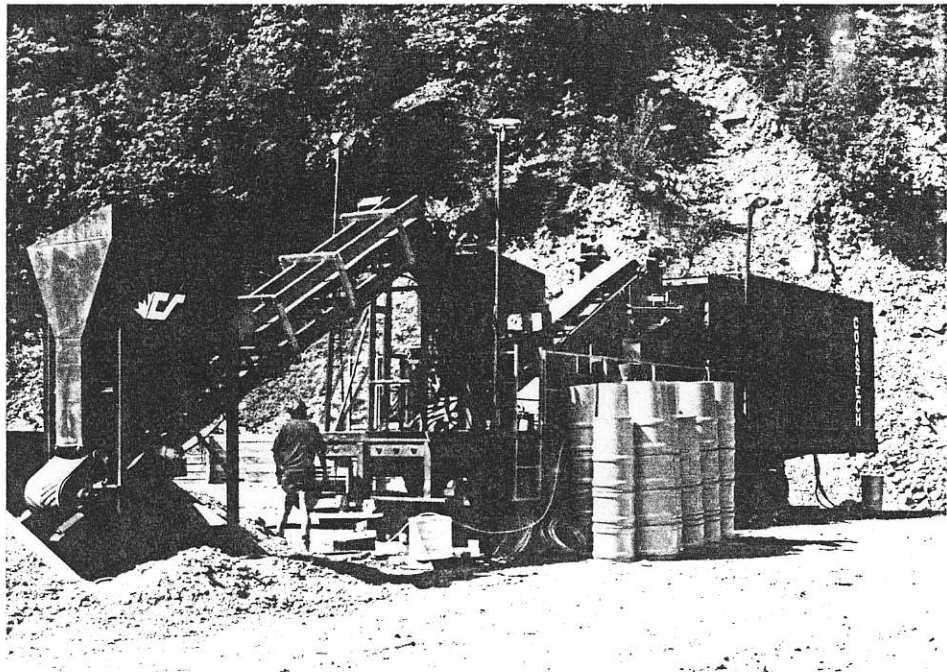
Portal of Abo adit.



Horizontal network of quartz veining in Quartz-Diorite about 95 meters from portal. Offset vertical vein.



Rock bins at mill site with 200 tons of Adit ore for tune-up purposes.



Crushing section of pilot-testing mill. Yellow drums for sulphide concentrate.

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| Kerr Addison Mines Vancouver | |
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KERR ADDISON MINES LIMITED
WESTERN DIVISION
MONTHLY REPORT - JULY 1987
PART 1 - CANADA

HIGHLIGHTS

- \$80,000 FAME Grants for Windpass and Tommy/Guppy (B-01)
- \$20,000 of computer equipment received (B-01)
- HART Claims optioned to Skylark Resources (B-03)
- Claims (120 units) staked in Kelowna area (B-08)
- 0.26 ozs/ton gold over 60 feet discovered by Welcome North on our Trout Claims (B-15)
- nearly 600 feet of underground work completed to date on ABO; two high grade sections running 0.4 ozs/ton over 21 feet intersected as well as long lower grade sections; lots of visible gold! (B-16)
- first hole on Windpass at 820 feet intersects 10 feet of veining below workings - no assays yet (B-20)
- 1204 feet of drilling on Tommy - initial assays results very low (B-21)
- VIC claims drilling program underway - 6 inch vein in first hole (Y-11)

ADMINISTRATION AND GENERAL

Our monthly statement of expenditures is attached herewith. The only personnel change was the addition of Roderick de Leeuw to the ABO millsite crew as an assistant.

F.A.M.E. grants of \$50,000 and \$30,000 were awarded for the Windpass and Tommy/Guppy projects respectively for the fiscal year ending March 31, 1988.

On the initiative of John Wahl, an integrated package of computer equipment powered by the Compag Deskpro 286 was received from Toronto at a cost of \$19,800. Impending major renovations planned by the owner of this office building and field activities will delay set up of the equipment for a while but we plan to fully utilize it to integrate the gathering, display and manipulation of our exploration data using software programs already on hand e.g. Borsuv, PC-Explor, Lotus 1-2-3, Supercalc, Nutshell, etc.

PROPERTY EXAMINATIONS

No decent B.C. properties have been submitted this month. Intense competition for "good prospects" spurred by the availability of flow through funds has pretty well dried up the flow of submittals to this office. Clendenan's assignment to pursue promising properties has been stymied by the need for his presence at ABO. We plan to divert Potter to this task in August so at least this problem will be overcome.

Property examinations have been made in the Kennedy River area by Potter and discussions are being held with two property owners.

HART CLAIMS

During the month the property was optioned to Skylark Resources which can earn a 33 1/3% interest by spending \$625,000 over 3 years with a commitment of \$125,000 this year. A drill is already operating on the property - holes are planned for the Mogul and End Zones on which we obtained geochemically very high Au, As, Sb, Hg, Ag values but which were not drilled. We laid out the holes for Skylark. The option agreement required the signatures of Newmont and Stephen.

GOLD REGIONAL (B-08)

Two crews under Fred Daley spent July in the central and southern interior of B.C. Two areas were found warranting further work:

- Coquihalla Highway roadcuts east of Aspen Grove with high As, Sb and Hg in fault, breccia and alteration zones
- Whiterocks Mtn (35 km west of Kelowna) where we staked the Lamb 1 to 6 Claims (120 units) in a Hedley-like setting i.e. facies change from east to west of sediment to volcanic tuff, presence of limestone and limestone conglomerate, ultramafic dykes, skarn development and quartz veining. Outcrop is limited to 5% of the area. Chevron is our competitor in the area.

Regional work will shift to the Rossland and Cranbrook areas in August.

HOODOO CLAIMS (B-13)

This is the only saleable property we have left to farm out. John Brock is looking at the data at the moment.

TROUT CLAIMS (B-15)

Welcome North is drilling in and around the discovery showing with a percussion rig but I have no reports yet. Welcome's trench some 50 feet east of our discovery trench had a section running 0.26 ozs/ton Au over 59.4 feet including 0.57 ozs/ton over 16.5 feet. This provided a priority target for the drilling.

ABO OPTION (B-17)

A total of 181.8 metres (596 feet) of underground development have been completed to date in the East Drift or Adit (116 metres), North Cross Cut (18.55 metres) and South Cross Cut (42.9 metres). All three surface holes that we plan to raise up have been intersected and raising begun on the northernmost (DDH 86-39). Uphole 87-64 along side 86-39 was completed as was the flat pilot hole 87-65 along the planned eastward continuation of the East Drift to the hanging wall of the quartz diorite host which on this section has an E-W horizontal thickness of 92 metres. Drilling is in progress on up hole 87-65 for the central raise along side surface hole 86-42.

In August the underground work will concentrate on driving the three raises for mill feed with each raise sample segregated into 2 or 3 high and low grade sections on the basis of drill and channel sampling. To date visible gold has been noted in about 90% of rounds mucked out in the quartz diorite. The faces show 5 groups of gold-bearing quartz-pyrrhotite veins less than 10 mm to greater than 100 mms thick. The dominant set is sub-horizontal. One of such veins up to 100 mms thick in the E. Drift and another up to 150 mms in the S. Crosscut are particularly obvious but the higher grade sections in these two working areas (see below) are influenced more by several thin veinlets than by thicker individual veins as verified by detailed sampling.

Underground sampling in the quartz diorite to date is summarised below: -

| | Length of Section (feet) | Average 4 Face Samples (ozs/ton) | Average Mucks (ozs/ton) |
|--------------------|--------------------------------|--|-------------------------------|
| East Drift (Adit): | 88.5 | 0.19 | 0.12 |
| including | 21.2** | 0.45** | 0.20** |
| North Cross Cut : | 60.9 | 0.10 | 0.10 |
| South Cross Cut : | 140.7 | 0.13 | 0.09 |
| including | 21.21* | 0.42* | 0.15* |

** may continue eastwards as only one round of low grade ended the high grade run of 4 consecutive higher grade rounds

* open southwards as the last consecutive 4 rounds were higher grade.

While Coastech's mill is operating it is still very much in the tune-up stage due to many technical difficulties. Hopefully the plant will be operating efficiently by the end of the first week in August.

WINDPASS

The first drill hole under the old work workings is at about 820 feet and from radio reports has apparently hit 10 feet of veining in the target area which looks "very interesting". The initial drilling is directed at downdip extensions of high grade shoots identified in old plans of the 7th, 8th and 9th levels of the mine. Trenching, mapping at 1:5000 and magnetometer surveys have been completed but the 3 1/2 kms of trenches are still being cleaned and mapped in detail. The mag picks up the Windpass vein and indicates it is offset by north trending faults. All mag anomalies have been trenched.

UNITED TOMMY OPTION (B-21)

About 1204 feet of drilling was completed during July in 3 holes under the central showings. While sections of sheeted or ribbon veining over hundreds of feet wide were intersected in each hole, the assay results thus far for the first hole have been very disappointing. This project will be evaluated midway through the drilling after more assays are in. We may decide to divert some of the committed drilling to the Guppy ground.

GUPPY OPTION (B-22)

Detailed sampling of sheeted vein zones have revealed widespread gold in the veins up to 0.8 ozs/ton with several in the 0.1 to 0.25 ozs/ton range. Surface measurements of vein density however were disappointingly low in light of the assay results and current estimates of bulk tonnage grade are well below the 0.05 to 0.10 ozs/ton target. Confirmatory drilling in the better looking areas is still justified as surface observation cannot account for the thinner veinlets.

YUKON

Fred Chow is destined to review our various claim holdings on site in August with a view to prioritizing future work - if any.

VIC CLAIMS (Y-11)

Chesbar has started in on its \$200,000 drilling program on the main zone. A six inch vein in the first hole will probably be high grade. A trenching plan was laid out on site by Fred Chow to define the /ozs/ton float train.

PROPERTY SUMMARY - CANADA
(Major Properties Only)

NEW ACQUISITIONS/DISPOSALS

1. Lamb Claims, Whiterock Mtn, B.C. (B-24)
120 units acquired - see under B-08.
2. Hart Claims, B.C. (B-03)
Optioned to Skylark Resources, B.C. - see under B-03.

PENDING

1. Lost Canyon Group, Kennedy River, B.C. (B-02)
Discussions ongoing with Viva Ventures re a high grade vein showing with exploration potential in overburden obscured areas.

RECOMMENDED

1. Esther Claim, Kennedy River, B.C. (Robinson/Liskar)
No progress.
2. Bear Camp, Kennedy River, B.C. (Intl. Coast Minerals)
No progress.
3. Sadim Claims, B.C. (Laramide Resources)
No progress.