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ECHO PROPERTY

I had a discussion re the draft agreement with Alphonse and Jean Gallant earlier today in Chemainus. As I see it, one of the reasons this agreement was rejected was their fear of ever increasing legal costs. In addition, Alphonse's position with Mac Blo in Port Alberni has changed - they want him to set chokers or tree plant - tough for a guy his age and he and Jean are now thinking of this property as maybe the retirement plan. Our discussions covered the following points:

- Payments - they feel that these should be property or option payments and not advance royalty payments. I think their proposed and revised payment schedule is \$15,000 down, \$20,000 in six months and \$30,000 one year later. Alphonse also said that you indicated you would cover legal expenses.
- The minimum \$30,000 annual payments in the third and succeeding years would be considered to be advance royalty payments. Also, a 2% NSR would be payable on any production from the property including bulk or mill tests if moneys were received from these which is doubtful.
- Bill of Sale - this appears to be the biggest stumbling block for the Gallants - they do not want to sign a Bill of Sale until the 3 property or option payments are made. I think there is a way around this - the agreement can be registered on the claim forms. A Bill of Sale is not required for permitting and you would have the right to assign the property by way of the agreement.
- In addition to the standard 30 days notice of termination of the agreement, they want at least 2 years assessment work filed for all claims - this is no big deal.
- Other clauses - 11(d) - reference to fractions should be taken out and replaced with a standard clause to the effect that the claims have been located in accordance with the Mineral Tenure Act; 13 - leave out reference to 3 km area of mutual interest; 14 - assignment of property to a third party-if any stock, Alphonse wants some?
- There are some reservations about Schedules B and C only because their lawyer didn't understand these.

Neil