

Consulting Geologist

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The Directors  
Kafus Capital Corporation  
Suite 706 - 1155 Robson Street  
Vancouver, B.C. V6E 1B5

Dear Sirs:

**Re: TOFINO NICKEL (Deer Bay) PROPERTY**  
**Alberni Mining Division, British Columbia**  
**Latitude 49°13'N; Longitude 125°38'W**  
**NTS 92F/4E**

### **Introduction**

This letter report on the Tofino Nickel property, prepared at the request of Mr. Andy Schwab, is based on information provided by A.O. Birkeland, P.Eng. and on the writer's background knowledge of the geological setting and mineral deposits of the Port Alberni - Clayoquot Sound areas of Vancouver Island.

### **Property Location, Access and Infrastructure**

The Tofino Nickel property is situated on the west coast of Vancouver Island near the head of Tofino Inlet (Deer Bay) and 22 km northeast of the town of Tofino. Good access is afforded by a network of logging roads. Some logging activity has taken place within and adjacent to the claims area.

The terrain is typical of the west coast of the Island; elevations within the claims area range from sea level to about 750 metres near the north boundary of the Super 2 claim which is 3 km north of the inlet.

Most supplies and services are available in Tofino and/or Ucluelet or in Port Alberni.

A major reduction in logging in this part of Vancouver Island (Clayoquot Sound) has resulted in a major unemployment problem. Other economic activity in the area would be welcome.

### Mineral Property

The property consists of four contiguous 4-post mineral claims comprising 22 units which are located in the Alberni Mining Division and are owned jointly by Peter C. Buckland and A.O. Birkeland. The mineral claims are recorded in the name of A.O. Birkeland and details are as follows:

<u>Claim Name</u>	<u>Record Number</u>	<u>Units</u>	<u>Expiry Date</u>
SUPER 1	200234	6	May 10, 1997
SUPER 2	200235	12	May 10, 1997
NICK 1	331923	2	October 25, 1997
NICK 2	322848	2	November 13, 1997

### Past Work

Exploratory work has been carried out in the area of the present property since the 1890's. Earliest work was directed to vein mineralization; subsequent work, in the 1960's, included an examination of the porphyry copper potential of the Tofino Inlet area.

The nickel-copper-platinum-palladium potential of the property was the focus of Cominco Ltd.'s attention between 1984 and 1987. Work completed by this company included geological, geophysical and geochemical surveys and some trenching. Additional work was recommended but not carried out by Cominco.

Stag Explorations Ltd. conducted additional geological mapping and rock and soil geochemistry in 1988 and some reconnaissance soil and stream sediment geochemistry was carried out in 1992 and 1995.

Expenditures to date on the property are conservatively estimated to be in the order of \$100,000. Included in this estimate are those expenditures documented in assessment reports (Cominco - \$63,500; Stag - \$22,350) which often do not constitute a full reporting of all work done. Not included in this estimate are historic expenditures relating to work done in the area of the present claims since the turn of the century.

### Property Potential

Known nickel-copper-platinum-palladium mineralization on the property is associated with an isolated bedrock exposure of metamorphosed gabbro which measures 30 x 10 metres.

Limited trenching of this exposure has disclosed the presence of a 1.5 metres thick, 22 metres long massive sulphide lens, concordant or parallel to the long direction of the gabbro intrusion and consisting of chalcopyrite (copper sulphide), nickel sulphide minerals and iron sulphides (pyrite, pyrrhotite). The massive sulphide lens is enveloped by up to 10 metres of disseminated copper-nickel-iron sulphides.

Rock chip sampling of the massive sulphide lens has returned values of 2.06% nickel, 1.97% copper, 0.051 oz/ton platinum and 0.166 oz/ton palladium over 1.3 metres. Grab samples have yielded values of up to 10.1% nickel, 0.24% copper, 0.17 oz/ton platinum and 0.76 oz/ton palladium. (Note - for purposes of comparison, established reserves at INCO's Voisey's Bay, Labrador deposit have average grades of 2.83% nickel, 1.68% copper + cobalt - platinum, palladium and other precious metals values have not been disclosed but are no doubt present).

As noted, the massive sulphide lens is concordant or parallel to the trend of the host gabbro intrusion; similarly the long direction of the intrusion itself parallels the northwest structural trend of the enclosing country rocks which suggests good potential for extensions of the favourable intrusive hostrock (and contained mineralization) both along strike and to depth.

Further evidence for potentially significant size and/or similar, parallel intrusions is indicated by a second gabbro intrusion which contains anomalous nickel-copper values and is 400 metres southwest of the main showing. As well, previous geochemical studies indicate good potential not only for additional nickel-copper mineralization on trend and upslope from the main showing area.

In summary, the the Tofino Nickel property has demonstrated potential for nickel-copper-platinum-palladium mineralization. Similar styles of mineralization are not uncommon in the west coast region; examples include a number of deposits in southeast Alaska and the formerly producing Giant Nickel deposit north of Hope.

### **Environmental Aspects**

The property is within an area classified as general use and outside the area alienated for resource extraction by the Clayoquot Sound land use decision.

The known sulphide mineralization has the potential for acid generation but no baseline studies have been done to measure exactly what this potential might be. Any future exploratory work would be subject to the usual reclamation bonding procedures but it is worthy of note that a license to cut timber and a permit for drilling were both issued for a planned program in the recent past.

### Proposed Agreement

Issuance of free trading shares may not be possible under revised Exchange rules in both B.C. and Alberta. In any event, the amount requested may have to be staged, subject to completion of work programs.

The proposed staged cash payments through year 3 are considered reasonable; a reduction of payments in years 4 and 5 could be considered to bring total payments to the \$ 1 million range.

The schedule of work commitments are considered to be in line with those that would constitute an orderly exploration program pending receipt of continued encouraging results.

A buyout provision for the proposed 2% net smelter royalty should be negotiated.

### Conclusions

The Tofino Nickel property is an attractive prospect worthy of additional work. Of note is the fact that the prospect has never been drilled; the proposed \$150,000 first year program would allow for drilling of several closely-spaced shallow holes to determine continuity of the known mineralization both along strike and to depth.

Respectfully submitted,



N.C. Carter