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MINING GEOLOGICAL CONSULTANTS

August 28, 1985

Mr. Arne Birkland  
Energex Minerals, Ltd.  
850 West Hastings St., 9th Floor  
Vancouver, B.C.  
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Dear Arne:

Dave Wahl and I had a good flight down from the Toadogone, a pleasant and productive dinner with Dick Atkinson and Vic Bradley, and a smooth, but long, flight to Toronto after leaving you last Monday. Both of us wish to thank you and Barry for a most informative introductory tour of the A1 property. Energex has done an A-1 job of organizing and carrying out the recent exploration program.

As per our discussions with you and later with Dick, I am using this letter to briefly review our suggestions and impressions of our visit. Our comments are tempered by our experiences with gold deposits elsewhere and with public financing of junior mining and development programs.

We were particularly impressed with the similarity of both the local lithologies and mineral occurrences to those of the epithermal volcanic hosted disseminated gold deposits of Nevada (for example Round Mountain). There are some differences, of course (i.e. the massive and widespread Barite at the A1 with a virtual absence of fluorite). The presence of considerable high grade pockets, streaks, or veins such as at the Thesis III is possibly what the Nevada deposits exhibited when they were first prospected prior to 1930.

We were curious as to just how much of your A1 property has been prospected. There must be a considerable percentage of your ground that is virtually untested. And, on the tested portion it would appear that only 3 (B.V., Bonanza, Thesis III) of the anomalous areas have been examined by any concerted program, with none yet fully delineated. This is a point that needs to be underlined as it has considerable bearing on the potential of the property.

The similarity to the Nevada deposits and the obvious low temperature nature of the deposits suggests that you might find considerable guidance by increased application of fluid inclusion studies. I would suspect that the gold has been deposited through a very narrow temperature range overlapping only the very latest quartz formation and the earliest barite precipitation. Should you be able to define the favorable temperature range then you could move exploration towards "hot" areas (or "cool" as the case may be) and may find that supposedly barren areas on strike with a mineralized trend may represent irregularities in the ancient isotherm and that gold may exist at depth or further along strike. Fluid inclusion studies need not be confined to university style labs, but can be set up in a field camp so that results are immediately available. Crews can be trained to perform "bubble" tests to establish temperature and salinity ranges.

We would also suggest that you ask your assay labs to assay one assay ton (preferably 5 assay ton) lots. The gold at the A1 appears to be in fairly coarse flakes and flowers. A 1/2 assay ton (15 grams) sample selected from a 0.5 meter HQ core has a less than optimum probability of being representative. Many of the Nevada mines have adopted this procedure. Round Mountain uses the 5 assay ton sample.

To check on your assay results always request an assay from the sample reject and not from the assay pulp. The pulp check merely tests the precision of lab and not the accuracy of the result. As a further check you might consider the periodic assaying of a section of quartered core.

You might also consider, and I would strongly recommend that you at least test, the use of reverse circulation drilling. I would suspect that given the brittle and friable nature of the ore zones and the spore-like flowery nature of the gold adhering to surfaces of quartz or barite that gold is being lost or left in the drill holes. Sample results are possibly underestimating true content. Inclined reverse circulation rigs are available. They can easily drill to the shallow depths needed to test the known anomalies. They will recover all of the drilled interval. Although they will not give you the core angle or precise geologic data, a length of core supplies the cuttings from a reverse circulation hole will provide the data on alteration, mineralization, and general lithology which is all you need for a deposit of this type. Costs should be lower and bit wear considerably reduced.

One last point in relation to sample collection, handling and assaying. We would strongly recommend that you cut your high assays in some fashion that reduces the weight these erratics have upon your averages. The cut need not be to an arbitrary 1/2, 1, or 2 ounces, but could be based on a mean, rolling mean, or standard deviation. We are using the data you have provided and will write again as to our preference. Regardless of the method a "cut" is essential, we believe, to guard against over estimating of the deposits grade. In time and with the wisdom gained through production, the "cut" may be adjusted or conceivably discarded, but until such time, a prudent approach is suggested. The prudent approach will also serve to enhance your credibility.

Further on credibility, we would suggest you refrain from quoting "reserves". Regardless of what modifying term (probable, possible, inferred) you place before "reserves" your figure will be quoted and come back to haunt you as your reserves. Try using mineral inventory. Perhaps quote tons per vertical foot, or ounces per section (although I prefer the more standard TVF). For instance at the Thesis III one presently outlined body extends for say 130 feet and is say 36' wide with a tonnage factor of probably 12.5 cft. The TVF would be about 375.

Your planned program of tight geophysical surveys is appropriate and should enable you to begin to evaluate the rest of your property and to better target your drill holes. The program may, however, be viewed as a "step backward" by certain financial groups and should be complemented with an ongoing program of developing or evaluating the now-identified mineralized zones.

Of the three zones which we examined (BV, Bonanza and Thesis III) we believe the Thesis III has the greatest and most easily proven potential to become a viable ore zone. The Bonanza Verrenass area is our second choice. The BV we placed last because of the massive nature of the barite both on surface and in the drill core and because of the relatively simplistic structure as compared to the complex faulting and lensing at the Thesis and Bonanza areas. The complex picture was more like that of the Nevadan "models", hence our ratings.

As the next step in developing the Thesis zone we would warn against deep drilling. There is simply not enough data on the geometry of the ore zone to allow for targeting a drill

hole that would have any but a remote chance of intersecting the mineralized zone down plunge from the surface location. Nor, would we continue drilling blindly on sections parallel to present drilling.

We would prefer and recommend that you strip the thin (avg. 5') of overburden from the zone and using a high pressure WAJAX pump clean off the outcrop. This would provide you with a complete picture of the attitude and relationships of the various alteration zones, faults, and rock types. Once the area has been stripped it should be mapped at say 1" to 10' and sampled. For sampling we recommend using a diamond saw, drilling parallel cuts, say 1/4" to 1/2" apart and chipping out the remaining ridge.

Prior to stripping you should sample the 6" to 1 foot of soil overlying the known ore zones to determine if a residual accumulation of gold exists. If so stripping should separate this material for possible future recovery.

Following the stripping a small test pit can be put in to provide material for bench or pilot metallurgical testing. Tests should also be made as to the applicability of autogenous grinding. The ore appears to be suited to this low cost method.

Not only will the stripping provide knowledge of the geology, grade, and recoverability of the deposit, it will both satisfy and impress the financial circles as to your approaching a production decision.

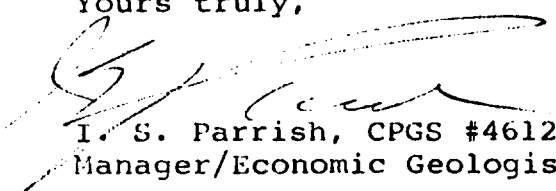
Another visual aid would be a colored aerial orthophoto. This would aid in mapping and illustrating the rock types, faults, gossans, etc.

The deposit appears to be suitable for open pitting with an extremely low stripping ratio and wall rocks that could be ripped or broken with little energy. The ore appears to be of good grade and the gold amenable to recovery by gravity or jigging. If even a modest tonnage can be blocked out at the Thesis you may wish to scale up to taking a 50,000 to 100,000 ton bulk sample and putting it through a modular mill. An open pit for the purpose of bulk sampling would still leave you in the exploration mode as far as taxation and regulation were concerned. Cash flow from this "sample" pit could be

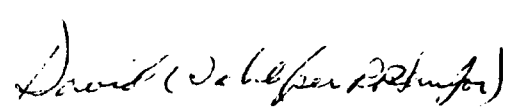
used to finance "sample" pits on other zones say the Verrenass, as well as further exploration. The stripping recommended earlier would also serve as pit preparation, and as such, would have to be done eventually - a further argument for doing it now when it can afford you valuable exploration and "propaganda" mileage.

We hope to be discussing these matters further in the future and hope that we may be of service should you seek public financing. For now we wish to thank you for your courtesies and the opportunity to visit the Toogone. Our suggestions are offered for your consideration and we hope you find them pertinent.

Yours truly,



I. S. Parrish, CPGS #4612  
Manager/Economic Geologist



D. Wahl  
Partner

cc: D. Atkinson